環球石油常年報告

AP Oil International Limited

ANNUAL REPORT

18

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CORPORATE PROFILE

Established in 1975, AP Oil International Ltd ("AP Oil") is a public company, listed on the main board of Singapore Exchange in 2003.

AP Oil started its lubricant blending in 1981, setting up the first Singaporean owned lube plant in the Republic of Singapore. AP Oil makes world class lubricants that meet standards and specifications of international institutions and OEM requirements.

AP Oil is a leading lubricants and specialist chemical supplier in Asia Pacific, marketing to over 20 countries, including New Zealand, Australia, China, India and ASEAN countries etc.

VISION

To be a reputable global leader in the lubricant and specialty chemical industry, delivering world class quality products and services to meet ever changing market requirements.

MISSION

To deliver world class quality products and best service meeting customer's ever changing requirements.

The infinity icon of the logo symbolizes a world of unlimited possibilities. This reflects our philosophy of "All Possibilities" (AP), our aspiration to create and explore endless business opportunities in the oil industry and beyond. Marine blue signifies resource and strength. The evolving shades of blue, conveying dynamism and mobility, depicts our creative energy and progressive spirit in pursuit of growth in the ever changing world. The green element underscores our commitment to environmental friendliness and corporate social responsibility.

公司标志的双环图像代表无穷大的境界，蕴含无限机遇。我们会在石油化工及集团经营的其他领域不断寻找无限商机，为争取优越表现而不懈地努力。海蓝色象徵才智与资源。色调递变，青出于蓝，更胜于蓝，寓意日新月异世界中力争上游、创新进取的精神。青绿色代表和谐与融洽，凸显我们对环保与履行企业社会责任的承诺。

ALL POSSIBILITIES

THE POSSIBILITY OF **PEOPLE**

Behind our AP Oil brand is our heartware – the individuals who set wheels in motion. From the management, staff, stakeholders to partners, they are ambassadors representing the human spirit of our AP Oil brand. Empowered in spirit, body and mind, believing that the power of human energy has no boundaries, makes all things possible.

THE POSSIBILITY OF **PERFORMANCE**

The pursuit of optimum performance remains at the heart of our business through constant research and development, we believe performance drives us forward in search of achieving the best.

Along with an innovative mindset running seamlessly throughout our organisation, we strive towards providing the best possible performance in sustaining the quality of life.

THE POSSIBILITY OF **PARTNERSHIP**

AP Oil values the synergy of partnership – collaborating with our partners, friends and industry players, always. Through the mutual exchange of ideas, opinions and perspectives, we believe that all can be made possible when we work together.

More importantly, in our efforts to provide more efficient energy, we partner the environment to ensure a cleaner environment for all.

OUR CORPORATE CULTURE
我们的企业文化

DILIGENCE
SINCERITY
LOYALTY
HARMONY

Diligence and devotion have been a hallmark of AP Oil's work forces.

Sincerity and fairness in all our dealings is what we believe in and practise everyday.

Loyalty to the company and commitment to give the best in all our endeavours are traditions we adhere to and take pride in keeping.

Cordial teamwork always exists among all levels of staff members and this spirit of harmony is extended to business partners particularly customers with bona fide bonding, friendly and the best possible service.

This corporate culture, which has been tenderly nurtured from day one, is transcended from the boardroom to the shop floor.

It has stood AP Oil in good stead, enabling us to overcome challenges and to grow in the past decades and emerge as one of the leading lubricant and specialty chemical specialists in the Asia Pacific.

勤奋努力和拚搏奉献一直是环球石油团队成员的特质。

以诚为本、公平互惠地处理所有事务，既是我们所信奉的目标，也是每天力行的常规。

忠于职守、精益求精是我们一向秉持的优良传统，我们对此引以为豪。

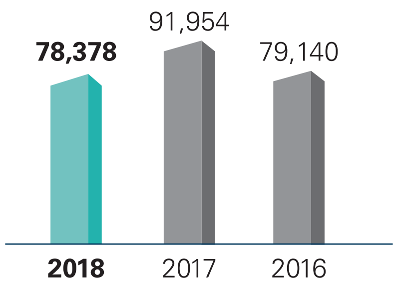
公司上下全体同仁协作无间，与业务夥伴融洽协作，尤其真诚地礼待顾客，力求为他们提供最优质的服务。

成立伊始，我们便悉心培植这一优良企业文化，时至今日，由上而下，已渗透到公司的各方面。

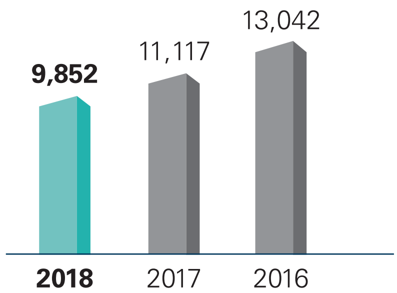
回望过去十年，它令集团受益无穷，使我们得以克服困难、茁壮成长，成为亚太地区领先的润滑油和特种化学品专家级企业之一。

GROUP FINANCIAL HIGHLIGHTS
集团财务摘要

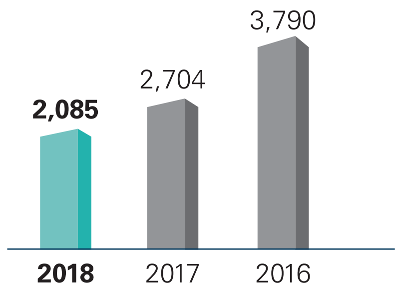
REVENUE (S$'000)



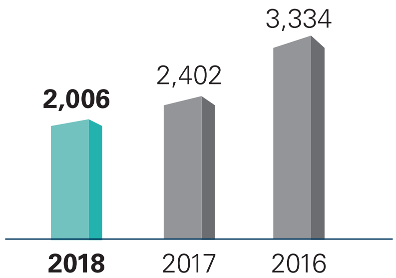
GROSS PROFIT (S$'000)



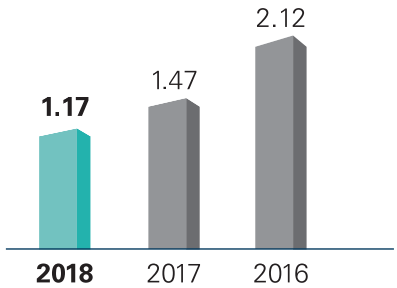
PROFIT BEFORE TAX (S$'000)



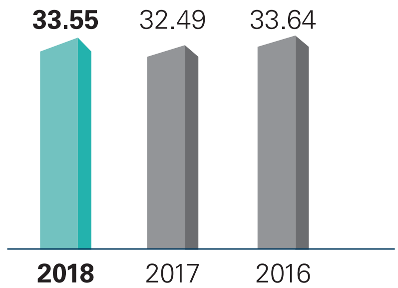
NET PROFIT AFTER TAX (S$'000)



EARNINGS PER SHARE (cents)



NET ASSET PER SHARE (cents)



	2018	2017	2016
Revenue (S$'000)	78,378	91,954	79,140
Gross Profit (S$'000)	9,852	11,117	13,042
Gross Margin (%)	12.6	12.1	16.5
Profit Before Tax (S$'000)	2,085	2,704	3,790
Net Profit After Tax (S$'000)	2,006	2,402	3,334
Net Margin (%)	2.6	2.6	4.2
Earnings Per Share (cents)	1.17	1.47	2.12
Net Asset Per Share (cents)	33.55	32.49	33.64
Ordinary Shares	164,531,172	164,531,172	164,531,172

CHAIRMAN'S MESSAGE
主席献词

Dear Shareholders,

The global economy in 2018 remained murky. Reports have shown one-third of companies listed on the Singapore Stock Exchange suffered losses in FY 2018.

The AP Oil Group of Companies were likewise not spared, our net profit as a Group decreased by 16% in this financial year. Nevertheless, our staff members have displayed diligence, dedication and enthusiasm under the leadership of the second generation of management. More excitingly, the Group has, in the second half of 2018, successfully secured a number of potential long-term key customers from the USA, Russia and the Middle East, inspiring confidence in our future business.

Businesses in our two China subsidiaries, namely AP Oil Singapore (Shanghai) Ltd and AP Oil Singapore (Chongqing) Ltd, are on the right track. The investment in Chongqing Zongshen Financial Leasing Co. Ltd, has also performed within expectations. The Group's long-term development strategy to engage in worthy joint ventures and M&A is always in place and continues to progress.

The joint venture in Vietnam, AP Saigon Petro JSC, has successfully rounded off its first decade with a new CEO appointed last year. In Singapore, succession planning in our two fully-owned subsidiaries, A.I.M. Chemical and GB Chemicals, is also underway. As Executive Chairman, my duties, inter alia, include helming succession planning, nurturing and cultivating middle to senior management by inculcating them with corporate culture and values, as well as passing on specialty trade skills and knowhow for the continuing legacy of the Group.

I am elated to announce that the Government has finally approved our development plans at 18 Pioneer Sector 1, with the land lease extension of further 20 years. We will spend about S$14 million in building new factory, warehouse, office premises, upgrading production lines, setting new laboratory and adding R&D equipment. Building works are scheduled to reach completion by August 2019. This upcoming building shall become the new headquarters of the AP Oil Group.

The Board of Directors have decided that dividend for FY 2018, remains the same as last year, at S$0.50 cents per ordinary share. We offer our heartfelt gratitude to all shareholders, business partners and friends for the love and support extended to the AP Oil Group over the years.

Best Wishes,

Dr Ho Leng Woon
Chairman

CHAIRMAN'S MESSAGE
主席献词

敬爱的各位股东：

2018 年世界经济的天空仍然乌云阴霾，石油行业的海洋更是波涛汹涌。据报道这一年新加坡的上市公司之中有三分之一蒙受亏损。

我们集团的净利润也下滑了 16%，然而，在新一代管理层的带领下，公司上下员工都表现得非常积极，兢兢业业，干劲十足。更值得庆幸的是 2018 年下半年，集团陆续迎来美国、俄罗斯与中东数个愿意长期合作的大客户，让我们对接下来的业务满怀信心。

在中国的两家子公司，上海的星环润滑油与重庆的新环润滑油的业务也步入了正轨。投资在重庆宗申的金融业务的回报也在预计之中。当然作为集团长期发展政策的联营与并购计划还是一直在进行中。

越南联营企业进入第十个年头，去年中新聘了一位总裁，完成交替接棒工作。同时，在新加坡的两个全资子公司 A.I.M. 与 GB 化工之接班人的物色也在进行中。身为执行主席，我除了引领企业传承计划外也积极参与培养中高层管理干部的工作，从灌输企业文化精神，传授专业知识方面著手以协助集团的将来可持续发展。

在这里我也很高兴的告诉大家，政府终于批准了集团在 18 Pioneer Sector 1 的发展计划。土地使用期延长 20 年，我们将耗资新币约 1400 万建新工厂，提升生产流线设备与设立新实验室添购研究仪器，增建码头油库。工程将在 2019 年八月竣工，预计十月可以乔迁，新的办公楼，将成为集团总部。

董事部决定 2018 年与往年一样，颁发每股普通股 0.50 分的现金股息。我们衷心感激全体股东合作夥伴及各界人士多年来对集团的爱护与支持。

献上祝福！

何能恩博士
集团主席

CEO'S MESSAGE
执行总裁献词

Dear Shareholders,

The effects of the oil crisis are still with us and oil companies continue struggling to restructure their business models. This has affected AP Oil International Ltd and its subsidiaries (the "Group") in the Financial Year ("FY") 2018. Amidst the oil crisis and the weak shipping industry, the Group lost its largest marine lubricant customer, Aegean Marine Petroleum Network Inc. ("Aegean"). In November 2018, they filed for Chapter 11 process. This was the main reason that the Group revenue declined by 15% to S$78.4 million from FY 2017.

In FY 2018, we also took the decision to voluntarily liquidate our chemical trading subsidiary Heptalink Chemicals Pte Ltd ("Heptalink"). Since we acquired a 60% stake in Heptalink in FY 2015, it has been making yearly losses. Having lost our investment by FY 2016 and with little promise of a turnaround, the Board took a decision to end the business in August 2018.

It might have been a tough year, but the Group has not been merely sitting down and taking punches. In FY 2018, we were successful in starting partnerships with a few strong customers. On the marine lubricants front, we are partners with Gazpromneft Lubricants, Gazpromnefts' oil business operator, specialised in marine lubricants production and sales. We also partnered with ENOC, the Emirates National Oil Company, UAE. These partnerships are for toll blending of marine lubricant finished products in our plants in Singapore. In addition, in November 2018, AP Oil partnered AMSOIL Lubricants Pte Ltd, to toll blend synthetic lubricants in Singapore for renewable energy and industrial applications. We have started blending and delivered the products in 2018. Though these volumes have some way to go in replacing the lost volume from Aegean, these are green-shoots worth tending and nurturing. These partners are strong brand names and serious companies, and we count ourselves blessed that they have chosen to place their trust in us.

The new HQ building at 18 Pioneer Sector 1 is scheduled to be completed in the 2nd Half of FY 2019. The acquisition of the new toll blending business amidst the construction period gives rise to opportunity for us to add further improvements to the production and jetty facilities than originally planned. The production facilities at 30 Gul Crescent will also be upgraded to cater for new business requirements. We will space these upgrades out throughout the year to avoid affecting production schedules. The improved building and filling lines, jetty capabilities and better laboratory capabilities are investments for the future.

FY 2019 will be a year of building business, hardware and human capital. I would like to thank my colleagues of the AP Oil Group for their effort in FY 2018 and look forward to a committed FY 2019. 自强不息!

On behalf of the Board of Directors, Management and Staff of the AP Oil Group, I would like to thank our shareholders, customers, business partners, bankers and suppliers for your strong and steadfast support in FY 2018 and in the years to come.

Thank you and I look forward to meeting our shareholders at the forthcoming Annual General Meeting.

Mr Ho Chee Hon
Group CEO

CEO'S MESSAGE
执行总裁献词

敬爱的各位股东：

石油危机的影响依然存在，石油公司们仍在艰难地重组其商业模式。这影响了环球石油及其子公司（下称"集团"）在2018财年的整体运营。另外，在石油危机和航运业疲软的背景下，集团失去了其最大的船用润滑油客户，Aegean Marine Petroleum Network Inc.（下称"Aegean"）。在2018年11月，他们申请了破产保护。这是导致集团全年收入与去年同比下降15%至7,840万新元的主要原因。

在2018财年，我们决定自愿清算集团旗下经营化工贸易的子公司，Heptalink化工有限公司（下称"Heptalink"）。自从2015年我们收购了Heptalink 60%的股份以来，该公司一直处在亏损状态，不仅损失了集团在2016财年投入的资金，而且也几乎看不到其业绩好转的迹象，因此董事会决定在2018年8月结束这项业务。

2018财年可能是艰难的一年，但集团没有坐下来被动挨打，而是选择主动出击，我们成功地与业界的几个世界顶级客户建立了合作夥伴关系。首先，在船用润滑油方面，我们与俄气船用润滑油品牌生产和销售公司Gazpromneft、与阿联酋国家石油公司ENOC均达成了合作，其中项目主要涉及在新加坡为其代加工成品船用润滑油。此外，在2018年11月，我们与AMSOIL Lubricants Pte Ltd达成了合作，在新加坡为其代加工合成型润滑油产品，用于环保新能源的设备和装置。以上合作在2018年均已开始，首批次产品在年内已经交付。虽然这些新增加的业务在短时间内还无法补缺从Aegean流失的加工量，但我们相信它们是值得照料和培育的绿芽。这些合作夥伴都具有强大的号召力和影响力，我们为他们的选择和信赖感到无比的庆幸。

位于18 Pioneer Sector 1的新总部大楼预计将于2019年下半年投入使用，在这期间洽谈成功的代加工业务使我们有机会进一步改善生产设备和码头设施。另外，为配合新的业务需求，位于30 Gul Crescent的生产设施也会进行改善。我们将做好全年合理规划，有效保证产品按时交付。我们相信，改善后的办公大楼、生产设施、码头仓储运输能力以及更先进的实验室设备将对集团未来的发展提供强有力的帮助。

2019年将是发展集团业务、硬件设施和人力资源的一年。我要感谢环球石油集团的同事们在2018年所做出的不懈努力，并期待我们在2019年自强不息，走得更加坚定，迈向更大的成功。

在此，我谨代表环球石油集团董事会、管理层同仁和全体员工，向我们的股东、客户、商业夥伴、银行以及供货商们在2018年和新的一年中给予我们的坚定支持致以最真挚的感谢。

期待在即将召开的年度股东大会上与各位见面。
谢谢！

何其泓
集团CEO

BOARD OF DIRECTORS
董事部

DR HO LENG WOON 何能恩 博士
CHAIRMAN 主席

Dr Ho has been Chairman and Managing Director since 1983. He handed over the CEO portfolio to Mr Ho Chee Hon in May 2015 and remains Executive Chairman of the Group. Apart from masterminding the Group's corporate policy, enterprise directions and business planning, he also oversees R&D in AP Oil. Dr Ho is also Chairman of AP Saigon Petro Joint Stock Co Ltd, AP Oil Singapore (Shanghai) and AP Oil Singapore (Chongqing).

He holds a B. A. (1st Class Hons) Degree from Nanyang University, a PhD (Degree) from the University of Hull, England and a diploma in Management Studies from Graduate School of Business, University of Chicago. He is a member of the Society of Tribologists and Lubrication Engineers, USA. Before joining the company in 1981, he was bonded by Singapore Government to serve in the Public Utilities Board for 5 years and left as a Senior Hydrologist.

As an active participant in community services and charitable activities for the last three decades, Dr Ho has been on the management boards of Anglican High school, The Chinese High School, Hwa Chong Institution and Hwa Chong Intl. School. He has also served as President of St John Brigade (Zone 2) and as Honorary Consul the Republic of Djibouti in Singapore.

何博士自 1983 年起一直担任主席兼董事总经理。何博士 2015 年 5 月卸任总裁职位，交由何其泓先生担任，但仍担任集团执行主席。何博士除了主导集团的政策方针，企业计划外，也负责主导环球石油的研发。他兼任环球西贡石油联合股份公司、星环润滑油（上海）以及新环润滑油（重庆）的董事长。

他持有南洋大学文学学士（甲等荣誉）学位，英国赫尔大学博士学位以及芝加哥大学商科研究院管理文凭。他也是美国摩擦学及润滑工程师协会的会员。1981 年加入公司前，何博士曾获新加坡政府聘任，在公共事业局服务 5 年，离任时为高级水文专家。

何博士过去 30 多年踊跃参与公共及社区服务，历任圣公会中学、华中初级学院、华侨中学及华中国际学校等管委会董事。他也曾任圣约翰救伤队第 2 区的主席及吉布提共和国驻新加坡荣誉领事。

MDM LAU WOON CHAN 刘焕珍 女士
DIRECTOR 执行董事

Member, Remuneration Committee(#) 薪酬委员会成员 (*)

Mdm Lau is one of the founders of the company (formerly known as Huan Chew Oil Trading Pte Ltd established in 1975). She is responsible for financial management and assists the Chairman in exploring and evaluating new business opportunities and shaping the Group's policy and strategy. She also looks after the financial matters of the subsidiary, A.I.M. Chemical Industries Pte Ltd.

She is on boards of the Group's major subsidiaries namely AP Oil Pte Ltd, Alpha Pacific Petroleum (S), GB Chemicals, etc. Ms Lau graduated from Nanyang University with a Bachelor of Arts Degree. Before joining the company, she worked in private firms and with Banque IndoSuez (Singapore) as a bank officer.

刘女士是公司（前为 1975 年成立的环球石油贸易私人有限公司）创办人之一。她督导财务管理，也协助主席探索及评估新商机和拟定集团政策及策略。她也负责子公司 A.I.M. 化工有限公司的财务事宜。

同时她也是多间集团主要子公司（即环球石油私人有限公司）Alpha Pacific Petroleum (S)、GB 化工的董事。刘女士毕业于南洋大学，获得文学学士学位。加入公司前，她曾在民营公司任职，并曾任法国东方汇理银行（新加坡分行）职员。

(#) *Relinquished this role in 1 January 2019.*
(*) *在 2019 年 1 月 1 号辞任。*

BOARD OF DIRECTORS
董事部

MR CHANG KWOK WAH 曾觉华 先生
DIRECTOR 执行董事

Mr Chang was appointed to the Board of AP Oil in 2004. He is Managing Director of the group's wholly owned subsidiary, A.I.M. Chemical Industries Pte Ltd. He plays a leading role in business development, sales, finance, production, and general administration for the subsidiary.

He holds a Masters Degree in Business Administration (MBA) from Brunel University, U.K. and is an Associate Member of Chartered Secretaries, Australia.

曾先生于 2004 年被指任为环球石油的董事。他是集团全资子公司 A.I.M. 化工有限公司的董事总经理。子公司的业务发展、销售、财务、生产及行政等都由他领导。

曾先生拥有英国布鲁耐尔大学的工商管理学硕士学位。他也是澳大利亚特许秘书协会的会员。

MR HO CHEE HON 何其泓 先生
DIRECTOR 执行董事
GROUP CEO 集团总裁
Member, Audit Committee 审核委员会成员
Member, Nominating Committee 提名委员会成员
Member, Remuneration Committee(#) 薪酬委员会成员 (#)

Mr Ho joined the Group in 2005 and was appointed to the Board in July 2009. He was promoted to Group Deputy CEO in September 2012 and Group CEO in May 2015. His responsibilities, apart from working with Chairman in overall corporate directions, business policy and strategic planning, include overseeing day-to-day operation of the lubricant business.

He is on the boards of the group's subsidiaries and associates, namely AP Oil Pte Ltd, A.I.M. Chemical, GB Chemicals, Alpha Pacific Petroleum (S), AP (Vietnam) Holding, AP Saigon Petro JSC, AP Oil Singapore (Shanghai), AP Oil Singapore (Chongqing), and Chongqing Zongshen Financial Leasing Company Limited.

With a Bachelor of Laws (Honors) from National University of Singapore and a Master of Laws (Taxation from Washington University in St. Louis, USA), Mr Ho practised as a lawyer with Messrs Rodyk & Davidson before joining the Group.

何先生于 2005 年加入集团并在 2009 年 7 月被指任为董事。之后于 2012 年 9 月晋升为集团副总裁，并于 2015 年 5 月担任集团总裁一职。他除了协助主席规划整体发展方向、企业策划以及策略计划外，也专职负责督导日常润滑油的业务营运。

何先生也是集团所有子公司与联营企业的董事，包括环球石油私人有限公司、A.I.M. 化工、GB 化工、Alpha Pacific Petroleum(S)、AP（越南）控股、环球西贡石油、星环润滑油（上海）、新环润滑油（重庆）及重庆宗申融资租赁有限公司。

何先生同时拥有新加坡国立大学法学（荣誉）学士学位和美国圣路易斯华盛顿大学法学（税务）硕士学位，加入集团之前是本地著名的瑞德律师事务所的律师。

(#) *Appointed to this role on 1 January 2019.*
(#) *在 2019 年 1 月 1 号任职。*

BOARD OF DIRECTORS
董事部

MR QUAH BAN HUAT 柯万法 先生

LEAD INDEPENDENT DIRECTOR 主独立董事
Chairman, Audit Committee 审核委员会主席
Chairman, Remuneration Committee 薪酬委员会主席
Member, Nominating Committee 提名委员会成员

Mr Quah was appointed as an Independent Director on 1 November 2010. He is currently a consultant at KPMG Services Pte Ltd and sits on the board of several public and private companies. Mr Quah has held various key finance positions in the past including amongst others, as Regional Business Area Controller at Deutsche Bank, Group Finance Director of the IMC Group, Chief Financial Officer of City Gas Pte Ltd, and Rickmers Trust Management Pte Ltd.

Other than AP Oil International Limited, Mr Quah is a director at Samudera Shipping Line Ltd, Grindrod Shipping Holdings Ltd., Eurex Exchange Asia Pte. Ltd., Deutsche Boerse Asia Holding Pte. Ltd., Eurex Clearing Asia Pte. Ltd. and Primeur Group.

Mr Quah is a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

柯先生于 2010 年 11 月 1 日被指任为独立董事。他目前是 KPMG Services Pte Ltd（毕马威）的顾问，并同时担任几家公共和私人公司的董事职位。在此之前，他曾担任过多个财务主管职位，如德意志银行区域业务主管、万邦集团财务主管、城市煤气私人有限公司财务总监与瑞克信托管理公司财务总监。

除环球石油有限公司外，柯先生还是萨姆达拉船务有限公司、Grindrod Shipping Holdings Ltd.、Eurex Exchange Asia Pte. Ltd.、Deutsche Boerse Asia Holding 私人公司、Eurex Clearing Asia 私人公司和 Primeur 公司的董事。

柯先生是英格兰及威尔士特许会计师协会的会员，同时也是特许公认会计师公会的资深会员。

MR TAN WOON HUM 陈恩涵 先生

INDEPENDENT DIRECTOR 独立董事
Chairman, Nominating Committee 提名委员会主席
Member, Audit Committee 审核委员会成员
Member, Remuneration Committee 薪酬委员会成员

Mr Tan Woon Hum is our Independent Director and was appointed as Director on 31 January 2006. He is currently a partner of Shook Lin & Bok LLP, a Singapore law firm and has been with the firm since December 2003.

He graduated from the National University of Singapore with a LLB (Honours) Degree in 1995 and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1996. Mr Tan obtained his MBA (Finance) from the University of Leicester in 2000. He has been in private legal practice since 1996 and specializes in trust, asset and wealth management. He advises on the establishment of traditional and alternative funds including related licences and exemptions for fund management companies, as well as the establishment and listing of REITS.

陈恩涵先生就任独立董事，于 2006 年 1 月 31 日被指任为董事。他自 2003 年 12 月至今是新加坡旭龄及穆律师事务所的合夥人。

他于 1995 年从新加坡国立大学毕业，获得法学学士（荣誉）学位，1996 年任新加坡高庭律师。之后于 2000 年获得英国莱斯特大学商业金融管理硕士学位。他从 1996 年起开始从事私人执业律师事务，专长于信托、资产和财富管理，也为设立传统和特别基金提供顾问服务，包括基金管理公司的有关牌照及豁免和房地产投资信托基金的设立及挂牌上市。

KEY EXECUTIVES
子公司主管简介

MR CHANG KWOK WAH 曾觉华 先生
MANAGING DIRECTOR 董事总经理
A.I.M. Chemical Industries Pte Ltd
A.I.M. 化工有限公司

A.I.M. Chemical Industries Pte Ltd was established in 1976. Mr Chang joined in 1983 and has been the Managing Director of the company since 1992. A.I.M. became the Group's wholly-owned subsidiary in 2001, Mr Chang has since continued to serve as Managing Director. He plays a leading role in business development, sales, finance, production, and general administration for the subsidiary.

He holds a Masters Degree in Business Administration from Brunel University, United Kingdom.

A.I.M. 化工有限公司成立于 1976 年。曾先生于 1983 年加入 A.I.M. 服务，1992 年升任该公司董事总经理。2001 年 A.I.M. 成为集团属下全资子公司，曾先生受聘继续担任董事总经理，负责该子公司的领导工作，包括业务发展、销售、财务、生产及行政等。

曾先生拥有英国布鲁耐尔大学的工商管理学硕士学位。

MR ALPHONSUS CHUA 蔡福有 先生
MANAGING DIRECTOR 董事总经理
GB Chemicals Pte Ltd
GB 化工有限公司

Mr Chua founded GB Chemicals Pte Ltd in 1996, which was 100% acquired by the Group in 2004. He is responsible for the company's overall management, planning and daily business activities. He also oversees the business development and looks after key accounts.

He has over 40 years of experience in the specialty chemical industry. He was Regional Manager for 10 years with Gibson Chemicals, an Australian company.

蔡先生于 1996 年创立 GB 化工有限公司。集团在 2004 年全面收购 GB 化工。蔡先生负责该公司的整体管理、规划及日常业务运作，也负责监督该公司的业务发展和管理主要账目。

蔡先生在化工业拥有逾 40 年的经验。他曾经担任澳大利亚公司 Gibson 化工的区域经理长达 10 年。

KEY EXECUTIVES
子公司主管简介

MR LAU TAI CHONG 刘大聪 先生
CHIEF FINANCIAL OFFICER 财务总监
AP Oil International Limited
环球石油有限公司

Mr Lau joined AP Oil International Ltd as Chief Financial Officer in July 2016. He has oversight over the functions of financial and management reporting, internal controls, treasury, tax, regulatory compliance, investment projects, financial systems and corporate secretariat.

Prior to joining AP Oil International Ltd, Mr Lau held CFO positions in StatsChipPAC, Abacus International, Praxair Asia; and Financial Controller positions in various MNCs with responsibilities across Asia Pacific. Mr Lau graduated with a Degree of Bachelor of Accountancy from National University of Singapore and Master of Business Administration from Golden Gate University, San Francisco, USA.

刘先生于 2016 年 7 月加入环球石油有限公司，担任公司的财务总监。他监督财务和管理报告，内部控制，财务，税务，合规，投资项目，金融系统和公司秘书处的职能。

在加入环球石油有限公司之前，刘先生曾在 StatsChipPAC、Abacus International、Praxair Asia （亚洲普莱克斯集团）担任财务总监职务，在亚太地区担任多间跨国公司财务总监职务。刘先生毕业于新加坡国立大学，取得会计学士学位，且持有美国旧金山金门大学工商管理硕士学位。

REVIEW OF OPERATIONS
营运总结报告

PERFORMANCE BY BUSINESS SEGMENTS

MANUFACTURING

Manufacturing segment accounted for 39.9% or S$31.3 million of the Group's revenue in FY 2018 (FY 2017: 45.2%, S$41.6 million). Manufacturing comprises mainly blending of lubricating oils and specialty chemicals.

For lubricating oil, AP Oil Group operates three blending plants: two wholly owned in Singapore and one in a Vietnam joint venture (AP Saigon Petrol) – these plants produce a wide range of lubricants for automotive, industrial and marine applications. Our lubricants are marketed mainly under the brand name of "AP Oil" and "SIN-O".

For specialty chemicals, these are produced by two of our wholly owned subsidiaries namely A.I.M. Chemical Industries and GB Chemicals.

TRADING

Trading activities cover purchase and sale of raw materials used for lubricants and specialty chemicals manufacturing, namely, base oil, chemicals and finished products purchased from third party.

This segment accounted for 48.2% or S$37.8 million of the Group's revenue in FY 2018 (FY 2017: 40.3% or S$37.1 million).

FRANCHISING

Franchising segment recorded revenue of S$9.3 million or 11.9% of the Group's revenue for FY 2018 (FY 2017: 14.5%, S$13.3 million).

Our franchising programs include designs of plant and machinery, the setting up of laboratory, technology transfer, product formulation, staff training, use of our trademarks, etc. FY 2018 revenue comprised mainly of raw materials sale to our franchisees for producing lubricants under our brand name "SIN-O".

各业务部门业绩结果

制造

2018 财年，制造部门收入占集团收入的 39.9%，达 3,130 万新元（2017 财年数据：45.2%，4,160 万新元）。该部门业务主要由润滑油与特种化学品的制备构成。

润滑油业务方面，集团现经营三家润滑油调配工厂：新加坡有两家全资工厂，越南有一家合资工厂（AP Saigon Petrol）。三家工厂生产各类润滑油产品，供车辆、工业以及船只使用。我们的润滑油产品多以"AP Oil"和"SIN-O"两大品牌营销各地。

特种化学品业务方面，则由两家全资子公司 – A.I.M 化工和 GB 化工负责生产。

贸易

贸易活动部门负责处理生产润滑油与特种化学品所用原料的买卖业务，主要分为基础油、化学品和购自第三方的成品。

该部门在 2018 财年录得收入 3,780 万新元，占集团收入的 48.2%（2017 财年资料：40.3%，3,710 万新元）。

特许经营

特许经营部门在 2018 财年录得收入 930 万新元，占集团收入的 11.9%（2017 财年资料：14.5%，1,330 万新元）。

我们的特许经营内容包括厂房与器械设计、实验室设立，技术转让、产品配方、员工培训、商标使用权等。2018 财年收入主要由面向公司特许经营商的"SIN-O"品牌润滑油产品生产原料销售构成。

REVIEW OF OPERATIONS
营运总结报告

PERFORMANCE BY GEOGRAPHICAL MARKETS

AP Oil Group exports a full range of lubricants and specialty chemicals to customers in some 20 countries. Main markets in FY 2018 were Singapore, Vietnam, United Arab Emirates (UAE), China, Philippines, and Malaysia.

Singapore was the Group's largest market, recording 55.2% of the Group's revenue for FY 2018. Sales in Singapore decreased by S$8.3 million to S$43.3 million – this includes marine lubricants sold to foreign customers but delivered to vessels calling at the Singapore port, and specialty chemicals sold to Singapore based multinational companies for export.

Sales to Vietnam, the second largest market contributed 10.3% or S$8.1 million to the Group's revenue in FY 2018. This was followed by UAE with 9.4% or S$7.4 million to the Group's revenue in FY 2018.

In aggregate, China, Philippines and Malaysia accounted for 10.2% or S$8.0 million of the Group's revenue in FY 2018. Other markets made up the balance of 14.9% or S$11.6 million of the Group's revenue in FY 2018.

各业务地区市场业绩

集团生产的各类润滑油和特种化学品销往约 20 个国家和地区。2018 财年，集团的主要市场为新加坡、越南、阿联酋、中国、菲律宾、和马来西亚。

新加坡是集团的最大市场，在 2018 财年贡献了 55.2% 的集团收入。在新销售额减少 830 万新元至 4,330 万新元。其中包括在新加坡港口向外国客户船舶交货的船用润滑油，以及出售给各类跨国企业的新加坡总部以供出口的特种化学品。

我们的第二大市场越南，在 2018 财年录得销售额 810 万新元，占集团收入的 10.3%。第三则是阿联酋，在 2018 财年录得销售额 740 万新元，占集团收入的 9.4%。

中国、菲律宾和马来西亚三个国家的 2018 财年销售额总计 800 万新元，占集团收入的 10.2%。其它市场在 2018 财年则另外贡献了总计达 1,160 万新元的销售额，占集团收入的 14.9%。

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and its Management believe in having high standards of corporate governance, and are committed to making sure that effective self-regulatory corporate practices exist to protect the interests of its shareholders and maximize long-term shareholder value.

This report describes the Group's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2018, with specific reference made to the principles of the Code of Corporate Governance 2012 (the "Code"). Where there are deviations from the Code, appropriate explanations are provided.

The Board is pleased to confirm that for the financial year ended 31 December 2018, the Group has adhered to the principles and guidelines as set out in the Code where appropriate.

In August 2018, Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes the Code and is applicable to Annual Report for financial year effective from 1 January 2019. The Group will review and set out the corporate practices in place to comply with the 2018 Code in the next Annual Report.

A. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is entrusted with the responsibility of the overall management of the Company. The principal function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's role is to:

a) Provide leadership, set aims, policies, strategies and ensuring resources are in place to achieve the objectives of the Company;

b) Establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

c) Review management performance, funding requirements, expansion programs, capital investment and major acquisitions and divestments proposals;

d) Identify the key stakeholder groups and recognize that their perceptions affect the Company's reputation;

e) Set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;

f) Consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and

g) Assume responsibility for corporate governance.

CORPORATE GOVERNANCE REPORT

The Board exercises objective judgment independently from Management on corporate affairs of the Group and no individual or small group of individuals dominate the decisions of the Board. All directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company. To assist in the execution of its responsibilities, the Board has delegated some responsibilities to specific committees namely, the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC"). The Board Committees operate under clearly defined terms of reference. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company. The Board acknowledges that while these Board Committees have the authority to deal with certain issues and present their findings and decisions to the Board, the ultimate responsibility for these decisions lies with the Board. Minutes of all Board Committee meetings held are made available to the Board members. The key terms of reference and composition of each Board Committee can be found in this report.

A schedule of Board and Board Committee meetings to be held for the calendar year is usually provided to the Directors. The Board meets at least two times a year. In addition to the scheduled meetings, ad-hoc board briefings, conference calls and physical meetings are held as warranted by particular circumstance or as deemed appropriate by the Board members. The Company's Constitution permits meetings of the Directors to be conducted by telephone or other methods of simultaneous communication by electronic means. The Board and Board Committees may also make decisions through circulating resolutions.

The attendance of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings held during the financial year ended 31 December ("FY") 2018 are as follows:

Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Dr Ho Leng Woon	2	2	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Mdm Lau Woon Chan	2	2	Not applicable	Not applicable	Not applicable	Not applicable	2	2
Mr Ho Chee Hon	2	2	2	2	2	2	Not applicable	Not applicable
Mr Chang Kwok Wah	2	2	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Mr Tan Woon Hum	2	2	2	2	2	2	2	2
Mr Quah Ban Huat	2	2	2	2	2	2	2	2

CORPORATE GOVERNANCE REPORT

The Group has adopted guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines include:

- Strategies and objectives of the Group;
- Announcement of half-year and full year results, and release of annual reports;
- Issuance of securities;
- Declaration of interim dividends and proposed final dividends;
- Convening of shareholders' meetings;
- Material acquisition/investment, divestment or capital expenditure; and
- Corporate or financial restructuring.

The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Group.

Newly appointed directors undergo an orientation session, which include presentation by Management to familiarize them on the Group's businesses, operations and strategic directions. The new Director will also have the opportunity to visit the Group's operational facilities. The orientation programme gives the new Director an understanding of the Group's businesses to enable him to assimilate into his new role. The Company will also provide newly appointed director with a formal letter setting out the duties and obligations of a director.

The Board as a whole is provided with continuous briefings and updates in areas such as changes in company law, changes in SGX listing rules, corporate governance practices and changes in financial reporting standards, so as to enable them to make well-informed decisions. The details of updates, briefings and training programmes attended by the Directors in FY2018 are as follows:

- the external auditors, RSM Chio Lim LLP, briefed the AC and the Board on the developments in financial reporting and governance standards; and
- the Chief Executive Officer updated the Board on business and strategic developments pertaining to the Group's businesses

The Company has available budget for directors to receive further relevant training in connection with their duties. The details of training programmes attended by the Directors in FY2018 are as follows:

Director	Training Attended	Date
Mr Quah Ban Huat	ACRA-SGX-SID Audit Committee Seminar 2018	16/01/2018
	ACCA Annual Conference	24/05/2018
	Corporate Governance Code Briefing	27/08/2018
	Singapore Institute of Directors – Directors Conference	07/09/2018
	Corporate Governance Briefing on the amendments to the Code and the SGX Listing Rules organised by The Singapore Institute of Directors	21/09/2018
Mr Tan Woon Hum	Corporate Governance Briefing on the amendments to the Code and the SGX Listing Rules organised by The Singapore Institute of Directors	21/09/2018
Mr Ho Chee Hon	Corporate Governance Briefing on the amendments to the Code and the SGX Listing Rules organised by The Singapore Institute of Directors	21/09/2018

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Company endeavors to maintain a strong and independent element on the Board. As at the date of this report, two out of the six Board members are independent directors. The Board comprises the following members:

Executive Directors
Dr Ho Leng Woon (Chairman)
Mdm Lau Woon Chan
Mr Ho Chee Hon (Chief Executive Officer)
Mr Chang Kwok Wah

Non-Executive Directors
Mr Quah Ban Huat (Independent)
Mr Tan Woon Hum (Independent)

While the Chairman and the Chief Executive Officer are immediate family members, the Board is of the opinion that based on the Group's current size and operations, it is not necessary to have independent directors make up at least half of the Board at present.

To strengthen the independence of the Board, Mr Quah Ban Huat has also been appointed as the Lead Independent Director. He is the principal liaison in the event that any issues arise between the Independent Directors and the Executive Directors. He is available to address the concerns of shareholders, employees or other persons in the event that interaction with the Executive Chairman and Chief Executive Officer has failed to satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition of an "independent" director and guidance on relationships, the existence of which would deem a director not to be independent. A director who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent judgment in the best interests of the Company, is considered to be independent.

In line with the guidance in the Code, the Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a director is independent, including (i) the employment of a director by the Company or any of its related corporations; (ii) employment of an immediate family member by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee; (iii) the acceptance by a director of any significant compensation from the Company or any of its related corporations, other than compensation for board service; (iv) a director being related to any organisation from which the Company of any of its subsidiaries received significant payments or material services; (v) a director who is a 10% shareholder of the Company or is an immediate family member of a 10% shareholder of the Company; and (vi) a director who is or has been associated with a 10% shareholder of the Company, for the current or any of the past three financial years.

CORPORATE GOVERNANCE REPORT

Each independent director is required to complete a Director's Independence Form annually to confirm his independence. For FY2018, the NC carried out a review on the independence of each independent non-executive director based on the foregoing considerations, the respective Director's Independence Form and their actual performance on the Board and Committees. Having carried out their review, the NC is satisfied that the two Directors, who are non-executive, are independent.

The Board recognizes that the Independent Directors may over time develop significant insights in the Group's businesses and operations, and can continue to provide noteworthy and valuable contribution to the Board. The independence of the Independent Directors must be based on the substance of their professionalism, integrity, objectivity and not merely based on the number of years which they have served on the Board.

Management regularly puts up proposals or reports for the Board's approval (where appropriate), for instance, proposals relating to specific proposed transactions or general business direction or strategy of the Group. Independent Non-Executive Directors, when presented with these proposals for their consideration, evaluate the proposals made by Management and where appropriate provide guidance to Management on relevant aspects of the Group's business. In addition, Independent Non-Executive Directors meet, at least once a year, in the meetings with the external auditors and internal auditors and on such other occasions as may be required.

Currently, Mr Tan Woon Hum has served on the Board for more than nine years from the date of his first appointment. The Board has subjected his independence to a rigorous review before extending his tenure as director. After due consideration and with the concurrence of the NC, the Board is of the view that Mr Tan Woon Hum has demonstrated strong independence of character and judgment over the years in discharging his duties and responsibilities as the Independent Director of the Company with the utmost commitment in upholding the interest of the shareholders. Mr Tan Woon Hum does not represent any substantial shareholder of the Company and he is not accustomed or under an obligation whether formal or informal, to act in accordance with the directions, instructions or wishes of any shareholder. He has always been objective, frank and candid in expressing his opinions during meetings. He would raise queries, objectively debate and scrutinize issues in meeting discussion. He will seek clarification as he deemed necessary, including direct access to the Management. In addition, he had declared his independence and confirmed that he had no relationship with the Company or any of its related corporation which would affect or interfere with the exercise of his judgment.

Taking into account the above, and having weighed the need for the Board's refreshment against tenure for relative benefit, the Board is satisfied that Mr Tan Woon Hum has and will continue to exercise independent business judgment with the view to the best interests of the Company, notwithstanding the length of tenure of his service.

The Board is of the opinion that its current size of six Board members is both effective and efficient. The Board's structure, size and composition is reviewed annually by the NC who is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations, to facilitate effective decision making. Details of the Board members' qualifications and experience are presented in pages 10 to 12 of this Annual Report.

Having considered the areas of specialization and expertise of each director, the NC is satisfied that the Board has an appropriate mix of expertise, experience and gender, and collectively possesses a range of competencies in legal, finance, business management and the requisite industry knowledge to lead the Company effectively. The Company considers that the Board's composition of independent directors provides effective contributions to the Board with a mix of knowledge and business contacts, including a very broad in-depth successful business and commercial experience. This balance is particularly important in ensuring that the strategies proposed by Management are fully discussed, examined and take into account the long-term interests of the Group.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The Chairman and Chief Executive Officer of the Company are separate individuals but are however, immediate family members. The Chief Executive Officer of the Company, Mr Ho Chee Hon, is the son of Dr Ho Leng Woon, Chairman of the Company.

All major proposals and decisions are discussed and reviewed by the Board. The Chairman and Chief Executive Officer's performance and appointment to the Board is reviewed by the NC and their remuneration packages are reviewed by the RC. The AC, NC and RC consist of a majority of independent directors. Given this, the Board believes that there are sufficient strong and independent elements and safeguards in place against an uneven concentration of power and authority.

A Lead Independent Director, Mr Quah Ban Huat, has been appointed to be an alternative avenue for shareholders and other Directors to raise their concerns where raising through the normal channels to the Chairman has failed to resolve, or where such contact is inappropriate. Should the need arise, the Independent Directors, led by the Lead Independent Director, will meet without the presence of the other Directors and the Lead Independent Director would provide feedback to the Chairman after such meetings.

The roles of the Chairman and Chief Executive Officer are separate and their responsibilities are clearly defined to ensure a balance of power and authority within the Company.

The Chief Executive Officer, Mr Ho Chee Hon, has full executive responsibilities of the overall business and operational decisions of the Company.

As Chairman of the Board, Dr Ho Leng Woon is responsible for leading the Board and facilitating its effectiveness.

The Chairman's duties and responsibilities includes:–

a) Leading the Board to ensure it is effective in its role;

b) Setting directions and agendas for the Company and scheduling of meetings to enable the Board to perform its duties responsibly;

c) Ensuring the proper conduct of meetings and accurate documentation of the proceedings;

d) Ensuring the smooth and timely flow of information between the Board and Management;

e) Ensuring compliance with internal polices and guidelines of the Company and high standards of corporate governance;

f) Ensuring effective communication with shareholders through investors' relationship channels and timely announcements of company's development;

g) Encouraging constructive relations between the Board and Management as well as between all directors.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee ("NC") is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. The NC comprises the following three members, majority of whom, including the Chairman, are independent directors:–

Mr Tan Woon Hum (Chairman)
Mr Quah Ban Huat (Member)
Mr Ho Chee Hon (Member)

The NC has adopted written terms of reference defining its membership, administration and duties. Some of the duties and responsibilities of the NC include:

a) to make recommendations on all Board appointments, including development of a set of criteria for director appointments, which includes qualifications of director; ability to exercise sound business judgment, relevance to the Company and the industry and appropriate personal qualities;

b) to re-nominate directors having regard to the Director's contribution and performance (e.g. attendance, participation and critical assessment of issues deliberated upon by the Board) including, if applicable, as an independent director;

c) to determine annually whether or not a director is independent;

d) to decide how the Board's performance may be evaluated and propose objective performance criteria, such as return on equity ("ROE"), revenue and profit growth, as well as making comparison with industry peers to the Board; and

e) to assess the effectiveness of the Board as a whole.

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for directors and the Chief Executive Officer to ensure the progressive and orderly renewal of Board membership. As part of the Group's succession planning, Dr Ho Leng Woon had relinquished his position as the Chief Executive Officer on 1 May 2015. Accordingly, Mr Ho Chee Hon has assumed the role as the Group Chief Executive Officer.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of new directors. The search and nomination process will be through search companies, contacts and recommendations. The NC will review and assess candidates before making recommendation to the Board. In recommending new directors to the Board, the NC takes into consideration the individual's qualification, skills, calibre and experience required to support the Group's business activities or strategies, the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability.

CORPORATE GOVERNANCE REPORT

To institute a progressive renewal of the Board membership, the NC had in FY2018, commenced the search process to source and identify new independent director.

The role of NC also includes the reviewing of the re-nomination of directors who retire by rotation, taking into consideration the Director's integrity, independence, contribution and performance. The Constitution of the Company currently requires one-third of the Directors (other than the Managing Director) to retire and subject themselves to re-election by the shareholders in every annual general meeting. Notwithstanding the Constitution and pursuant to Rule 720(5) of the SGX Listing Rules, the Company shall require all directors (including the Managing Director) to submit themselves for re-nomination and re-election at least once every three years. The Constitution of the Company also provides that a newly appointed director must retire and submit himself for re-election at the next annual general meeting following his appointment. Thereafter, he is subject to be re-elected at least once every three years. A director who is due for retirement, shall abstain from voting on any resolution in respect of this re-nomination as a director.

The NC has recommended and the Board has agreed for Dr Ho Leng Woon ("Dr Ho") and Mdm Lau Woon Chan ("Mdm Lau") to retire and seek for re-election at the forth coming annual general meeting ("AGM"). The Board is of the view that as founding directors, Dr Ho and Mdm Lau have deep institutional knowledge and business experience with the Group and will be able to contribute positively to the Group. Each of Dr Ho and Mdm Lau has provided an undertaking pursuant to Rule 720(1) of the Listing Manual of the SGX-ST.

The Board recognizes the contribution of its independent directors who over time, have developed insight into the Group's businesses and operations and are therefore able to provide invaluable contributions to the Group. As such, the Board has decided not to set a fixed term of office for its independent directors.

All directors are required to declare their board representations. The Board is of the view that the effectiveness of each director is best assessed by a qualitative assessment of the Director's contribution and his ability to devote sufficient time and attention to the Company's affairs. When a director has multiple board representation, the NC will consider whether the Director is able to adequately discharge his duties as a director of the Company, taking into consideration the Director's number of listed Company board representations and other principal commitments. Acknowledging that a director's ability to commit time to the Group's affairs is essential, the Board has set an internal limit on the maximum number of listed company board representations which any director may hold. The Board agrees that there should be no more than 4 directorships for a director with full-time employment and 6 directorships for a director with no full-time employment.

Currently, the Company does not have any alternate director.

CORPORATE GOVERNANCE REPORT

Details of the Board members' directorship, including the year of initial appointment and election are disclosed below:

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election	Present Directorship/ Chairmanship in other Listed Companies (as at 5 April 2019)	Previous Directorship/ Chairmanship in other Listed Companies (FY2016 to FY2018)
Dr Ho Leng Woon	Executive	2 January 1982	Not applicable	–	–
Mdm Lau Woon Chan	Executive	7 March 1983	25 April 2016	–	–
Mr Ho Chee Hon	Executive	1 July 2009	26 April 2017	–	–
Mr Chang Kwok Wah	Executive	25 February 2004	26 April 2018	–	–
Mr Tan Woon Hum	Independent	31 January 2006	26 April 2018	Listed companies Ezion Holdings Limited – Independent Director, Chairman of the Audit Committee YTL Starhill Global Reit Management Limited – Independent Director	Listed company Ezion Holdings Limited – Chairman of the Nominating Committee
Mr Quah Ban Huat	Independent	1 November 2010	26 April 2017	Listed company Samudera Shipping Line Ltd – Lead Independent Director, Chairman of the Audit Committee Grindrod Shipping Holdings Ltd – Independent Director, Chairman of the Audit Committee	Listed companies Samudera Shipping Line Ltd – Chairman of the Remuneration Committee mDR Limited – Lead Independent Director, Chairman of the Remuneration and Nominating Committees Listed REITS/Trusts Croesus Retail Asset Management Pte Ltd, Trustee-manager of Croesus Retail Trust – Independent Director, Chairman of the Nominating and Remuneration Committees

CORPORATE GOVERNANCE REPORT

Apart from the foregoing, further information on each director are set out on page 10 to 12 of this Annual Report. In addition, information on shareholding held by each director in the Company and its related corporations is found on page 41 of this Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The NC has adopted a process for assessing the performance of the Board as a whole instead of individual assessment. The performance appraisal includes qualitative and quantitative factors including board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, degree of compliance with the code of corporate governance, transparency in terms of disclosures and communication with shareholders.

Although the Code proposes certain financial indicators as performance criteria, such as the Company's share price performance, the Board is of the opinion that the performance criteria should be geared toward evaluating the Board's performance in discharging its principal responsibilities, upholding high standards of corporate governance and strategic oversight of the Company's business rather than the specific performance of its share price and other financial indicators. The NC will at the relevant time look into adopting guidelines for annual assessment of the contribution of each individual director to the effectiveness of the Board and also the assessment of board committees. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

For FY2018, the following process was undertaken in relation to the evaluation of the performance of the Board as a whole:

(a) Evaluation process

Each of the Directors has completed a Board Performance Evaluation Checklist, giving their individual assessment and evaluation of the Board's ability to meet the relevant criteria stated in the Board Performance Evaluation Checklist.

The results of such assessment and evaluation were collated by the corporate secretarial agent; and reviewed by the NC.

(b) Determining directors' independence

Each independent director is required to complete a Director's Independence Form annually to confirm his independence. The form is drawn up based on the guideline provided in the Code. The NC has reviewed and is satisfied with the independence of the independent directors as mentioned in relation to Guideline 2 above.

(c) Commitments of directors sitting on multiple boards

The Board has set an internal limit on the maximum number of listed company board representations which any Director may hold. The Board agrees that there should be no more than 4 directorships for a director with full-time employment and 6 directorships for a director with no full-time employment, as mentioned in relation to Guideline 4 above. For FY2018, no director had exceeded such limit.

CORPORATE GOVERNANCE REPORT

The NC has decided unanimously, that the Directors will not be evaluated individually, as each member of the Board contributes in different aspects to the success of the Group, and therefore, it would be more appropriate to assess the Board as a whole. Following its review, the NC is of the view that the Board and its Board Committees operate effectively and each director has been adequately contributing to the overall effectiveness and objectives of the Board.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Board papers for Board meetings were sent to directors in advance in order for directors to be adequately prepared for meetings, including all relevant documents, materials, background or explanatory information relating to the matters to be brought before the Board. In addition, to ensure that the Board is able to fulfill its responsibilities, Management provides the Board members with regular updates of the financial position of the Group. The quarterly report includes management accounts of the Company's performance, positions and prospects. The Directors have also been provided with the phone numbers and email-particulars of the Company's Senior Management and the Company Secretaries to facilitate access.

The Company has a transparent policy wherein directors are welcomed to request further information or informal discussion and make recommendation on any aspects of the Company's operations or business issues. Where directors need independent professional advice, the Board may appoint a professional advisor selected by the Directors and approved by the Chairman and Chief Executive Officer to render the advice. The Company may bear the cost of such advice if necessary.

The Company Secretaries attend all Board meetings and are responsible to ensure that Board procedures are followed. It is the Company Secretaries' responsibility to advise the Board on corporate governance matters and to assist the Board in complying with the relevant rules and regulations applicable to the Company. Under the direction of the Chairman, the Company Secretaries facilitate the information flow within the Board and its Committees and between Management and the Independent Directors. The appointment and removal of the Company Secretaries are decisions taken by the Board as a whole.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") is established for the purposes of ensuring that there is a formal and transparent process for developing policy and fixing the remuneration packages of individual directors. The RC comprises of the following three members, majority of whom, including the Chairman, are independent directors:–

Mr Quah Ban Huat (Chairman)
Mr Tan Woon Hum (Member)
Mr Ho Chee Hon (Member) – appointed to this role on 1 January 2019
Mdm Lau Woon Chan (Member) – relinquished this role on 1 January 2019

CORPORATE GOVERNANCE REPORT

The Board recognises that the composition of the RC is not in accordance with the Code's guidelines that RC should comprise of totally non-executive directors. However, the Board is of the view that the membership of Mr Ho Chee Hon is necessary to facilitate a more effective discussion on the remuneration packages of the Group's key executives. Apart from Mr Ho Chee Hon, the other two members (including Chairman) are independent directors. The presence of a strong independent element ensures that no individual has unfettered powers of decision.

The RC has adopted written terms of reference defining its membership, administration and duties. The duties of the RC are as follows:

a) to review and recommend to the Board in consultation with senior management a framework of remuneration for the Executive Directors and Chief Executive Officer;

b) to review the remuneration packages of all managerial staff that are related to any of the Executive Directors or Chief Executive Officer; and

c) to recommend to the Board in consultation with senior management and the Chairman of the Board, the Executive's and Employees' Share Option Schemes or any long term incentive scheme.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services will be borne by the Company.

The RC will also review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

No director shall participate in decisions relating to any remuneration, compensation or any form of benefits to be granted to him.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but the company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Company has approved the remuneration framework for the Executive Directors and Chief Executive Officer on recommendation by the RC. The remuneration of the Executive Directors and Chief Executive Officer is structured to link rewards to corporate and individual performance. The Executive Directors and Chief Executive Officer's remuneration consists of both a fixed component and a variable component which is performance related. The framework will cover directors' basic salaries, bonuses and benefits in kind. In developing the framework, the RC has taken into consideration factors, such as the Company's performance, the economic scenario, market practices and the individual's contributions to the Company.

CORPORATE GOVERNANCE REPORT

The RC has adopted a framework to remunerate the Non-Executive Directors based on their appointments, roles in respective committees and contributions to the Board and Company. The remuneration packages of the Non-Executive Directors comprise a basic director retainer fee and additional fees for appointment to Board Committees. While the remuneration frameworks are not subject to shareholders' approval, the Directors' fees for the Non-Executive Directors will be subject to the approval of shareholders at annual general meetings.

The Company currently does not have any long-term schemes for executive directors and key management personnel.

Disclosure on Remuneration

Principle 9: Each Company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

Details on the remuneration of directors and key management personnel paid in the financial year 2018 are reported below. During the year, there was no termination, retirement or post-employment benefits granted to any director or key management personnel.

Remuneration Band (S$)	Director	Salary including CPF (%)	Bonus Profit Sharing (%)	Fees (%)	Benefits in Kind (%)
400,000 to below 500,000	Dr Ho Leng Woon	63.4	32.2	–	4.4
	Mr Ho Chee Hon	66.5	29.9	–	3.6
300,000 to below 400,000	Mr Chang Kwok Wah	65.5	30.6	–	3.9
200,000 to below 300,000	Mdm Lau Woon Chan	55.7	44.3	–	–
Below 100,000	Mr Tan Woon Hum	–	–	100.0	–
	Mr Quah Ban Huat	–	–	100.0	–

- *Profit sharing includes incentive payment made in April 2018 for financial year 2017 performance.*

The Board believes that it is for the benefit of the Company that the actual remuneration of the Directors be kept confidential, due to the sensitive nature of such information.

The Company had entered into separate Service Agreements with each of the Executive Directors on a fixed term. The Agreements are renewable with mutual consent of the parties upon expiry.

CORPORATE GOVERNANCE REPORT

The Group does not intend to use contractual provisions to allow it to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Directors owe a fiduciary duty to the Company, and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. In addition, the Company has in place alternative corporate governance practices described herein, such as the establishment of whistle-blowing policies, rigorous selection criteria of its Directors and key management personnel, the engagement of a professional accounting firm as the Group's outsourced internal auditors, private discussions between the Independent Directors with the external auditors and internal auditors and the granting of full access to all employees and documents of the Group to the Independent Directors, as checks and balances to prevent the occurrence of such instances.

The top four key management personnel's remuneration for the financial year ended 31 December 2018 is disclosed in the table below:

Remuneration Band (S$)	Number of Key Management Personnel
200,000 to below 300,000	2
100,000 to below 200,000	2

The remuneration received by the Executive Directors and key management personnel takes into consideration, the individual's performance and contribution towards the overall performance of the Group for FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of a monthly basic salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives. For FY2018, the agreed performance objectives of the Executive Directors and key management personnel were met.

The Company currently does not have any long-term incentive schemes for executive directors and key management personnel.

Mr Ho Chee Hon is the Chief Executive Officer and the son of the Chairman, Dr Ho Leng Woon and the Executive Director, Mdm Lau Woon Chan. Apart from Mr Ho, there was no other employee who is an immediate family member of a director or the Chief Executive Officer, and whose remuneration was over S$50,000 for the financial year ended 31 December 2018.

In considering disclosure of remuneration of the top 4 key management personnel, the Company has regarded the industry conditions in which the company operates as well as the confidential nature of such remuneration. The Company believes that detailed disclosure of the remuneration of each key management personnel on a name basis as recommended by the Code would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Company's talent pool.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

CORPORATE GOVERNANCE REPORT

C. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

One of the Board's principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the periodic financial statements as well as timely announcements and news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects. The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements.

The Group recognizes the importance of providing the Board with accurate and relevant information on a timely basis. Management also highlights key business indicators and major issues that are relevant to the Group's performance on an on-going basis in order for the Board to make a balanced and informed assessment of the Group's performance, financial performance, position and prospects as well as Management's achievements of the goals and objectives determined.

The Board ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets. Board papers are given prior to any Board meeting to facilitate effective discussion and decision making.

The Management presents to the Audit Committee the interim and full year results. The Audit Committee reviews the results and recommends them to the Board for approval. The Board approves the results and authorizes the release of the results to the SGX-ST and the public via SGXNET as required by the SGX-ST Listing Manual.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' investments and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. A system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

The Board is assisted by the Risk Management Committee ("RMC") which was formed, as part of the Group's efforts to strengthen its risk management processes and framework. The RMC has done up a documentation on the Group's risk profile which summarizes the material risks faced by the Group, the appropriate risk tolerance limits set for the respective risks and the countermeasures in place to manage or mitigate those risks. On an annual basis, the RMC will review the key risks identified, consider the relevance of these risks, identify new risks which may arise and assess the internal controls in place to mitigate such risks. RMC will report to the Board and the Board members will then evaluate and provide their feedbacks to the RMC.

For FY2018, the Board has received assurances from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control systems are adequate and effective in addressing the material risks of the Group in its current business environment including financial, operational, compliance and IT risks; and the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

Based on the internal control policies and procedures established and maintained by the Group, work performed by the external and internal auditors, as well as review performed by the RMC, the Board, with the concurrence of the AC, is of the opinion that the internal controls and risk management systems of the Group, addressing the financial, operational, compliance and information technology risks are adequate and effective as at 31 December 2018.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises the following three members, majority of whom, including the Chairman, are independent directors:–

Mr Quah Ban Huat (Chairman)
Mr Tan Woon Hum (Member)
Mr Ho Chee Hon (Member)

The profile of each member of the AC is set out on pages 11 and 12 of this report. Mr Quah Ban Huat, Chairman of the AC, has many years of experience in finance and accounting. Other members of the AC possess experience in legal, finance, accounting and business management. The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities. None of the members of the Audit Committee is a former partner or director of the Company's external or internal auditors.

The Board recognizes that the composition of the AC is not in accordance with the Code's guidelines that the AC should comprise of entirely non-executive directors. However, for the same reasons stated under Principle 3 of this report, the Board is of the view that independence is not comprised as majority of the members of the AC are independent.

CORPORATE GOVERNANCE REPORT

As a sub-committee of the Board of Directors, AC assist the Board in discharging their responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in the Group. The AC also reviews and supervises the internal audit functions of the Group.

AC provides a channel of communication between the Board, Management and the external auditors on matters relating to audit.

AC has adopted written terms of reference defining its membership, administration and duties. Duties and responsibilities of the AC include:

a) discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;

b) review with external auditors, their evaluation of the system of internal controls, the Management Letter and Management's response thereon;

c) discuss problems and concerns, if any, arising from the interim and final audits and any matters that the external auditors may wish to discuss with the AC in the absence of the Management;

d) review of the independence and objectivity of the external auditors and nomination of their re-appointment as auditors of the Company. The review of the adequacy of the Company's internal controls, and the effectiveness of the Company's internal audit function, the internal audit program including the scope and results of the internal audit;

e) review of interested person transactions (as defined in the Chapter 9 of the Listing Manual of SGX-ST);

f) review of interim and full year financial results, including review of the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance; and

g) any other functions that are requested by the Board, as may be required by statute or the Listing Manual. In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Director or executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy it that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. A breakdown of the fees in total for audit and non-audit services is set out in the Notes to the Financial Statement on page 111 of this annual report. The AC is satisfied with their independence and has recommended the re-appointment of the external auditors at the forthcoming Annual General Meeting of the Company. In addition, the AC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC is satisfied that the external auditors are able to meet their audit obligations.

CORPORATE GOVERNANCE REPORT

The AC meets with the internal auditors and the external auditors, at least once a year, without the presence of Management, to have free and unfettered access to unfiltered information and feedback.

In the event that any Director has a personal material interest in any contract or proposed contract or arrangement, he will abstain from reviewing that particular transaction or voting on the particular resolution.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by management and full discretion to invite any director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

In FY2018, the AC has reviewed with the Management and the external auditors, the results of the Group before submitting them to the Board for its approval and announcement of the financial results. The AC also reviewed the Group's financial condition, internal and external audit reports.

In the review of the financial statements, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might have material impact to the financial statements. The following significant matters that may have material impact to the financial statements were discussed with Management and the External Auditor; and were reviewed by the AC:

Significant Matters	AC Review
Valuation of investment in equity interests of an unquoted entity	The AC considered the approach and methodology applied in determining the fair value of the investment in equity interest of an unquoted entity. The AC reviewed management's assessment and considered the appropriateness of valuation methodologies adopted and reasonableness of assumptions applied by the external valuer. The valuation of the unquoted investment was an area of focus for the external auditor. This item has been included as a key audit matter in the independent auditor's report for the year ended 31 December 2018.
Assessment of impairment of trade receivables	The AC considered the approach and methodology applied by management in developing the allowance matrix, in particular, the historical observed default rates of trade receivables grouped based on shared credit risk characteristics and those relating to forward-looking information (if any). For those specific material balances that have yet to be collected subsequent to year end, the AC reviewed management's assessment and considered the adequacy of allowance for impairment on these balances. The assessment of impairment of trade receivables was also an area of focus for the external auditor. This item has been included as a key audit matter in the independent auditor's report for the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

The AC is kept abreast by Management, the external and internal auditors on changes and updates to accounting standards, and other issues which could have a direct impact on the financial statements of the Group, if any.

The Company has also put in place a whistle-blowing policy and has implemented procedures and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the AC. All complaints or concerns raised will be dealt with, including anonymous complaints. The action taken will depend on the nature of the complaint. Initial enquiries will be made to determine whether an investigation is appropriate, and the form that it should take. If necessary, the AC will direct an independent investigation to be conducted on the complaint received. Details of the whistle-blowing policies and arrangements have been made available to all employees. Members of the public can also refer to the Company's website for the whistle-blowing arrangements. During FY2018, there were no complaints, concerns or issues received.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The AC is aware that internal audit function is essential to assist in obtaining the assurance it requires regarding the effectiveness of the system of internal control.

The internal audit function of the Company is out-sourced to Baker Tilly TFW LLP ("Internal Auditor") and the Internal Auditor reports directly to the Chairman of the AC. The Internal Auditor is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience.

The Internal Auditor carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. Being an independent function, the audit work is conducted with impartiality and professional care.

The Internal Auditor reviews the effectiveness of the internal control system and management control system, including systems for compliance with laws and regulations. These reviews are conducted twice a year to ensure material internal controls are in place. The AC reviews the adequacy of the internal audit function to ensure that the internal audits are conducted effectively and that Management provides the necessary cooperation to enable the Internal Auditor to perform its function. The AC also reviews the internal audit reports as well as the remedial measures recommended by the Internal Auditor and adopted by Management to address any issues or inadequacies identified.

Since the implementation of the internal audit, the AC is satisfied that the internal audit on systems and controls are adequate in view of the current nature and scope of operations of the Company. The AC will continue to assess the adequacy of the internal audit function annually.

CORPORATE GOVERNANCE REPORT

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company's corporate governance practices promote fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET and the Company's website, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements, press releases via SGXNET, the Company's website as well as through reports/circulars sent to all shareholders. They are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend general meetings. Under the Companies Act, Cap. 50, a member who is defined as a "relevant intermediary" may appoint more than two proxies to attend and participate in general meetings. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company endeavours to communicate regularly, effectively and fairly with its shareholders. Timely, as well as, detailed disclosure is made to the public in compliance with SGX-ST guidelines. The Company does not practise selective disclosure. All price sensitive information is announced on the SGXNET on a timely basis.

Shareholders are kept informed of developments and performance of the Group through announcements published via SGXNET and the press when necessary as well as in the annual report. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure timely dissemination of the information to shareholders.

Shareholders are encouraged to attend and raise questions to the Directors at the Company's general meetings. At these meetings, shareholders are given the opportunity to express their views and raise issues either formally or informally. These meetings provide opportunities for the Board to engage with shareholders and solicit their feedback. The Company's website at www.apoil.com.sg is another channel to solicit and understand the views of the shareholders.

CORPORATE GOVERNANCE REPORT

The Company does not have a fixed dividend policy at present. The frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board of Directors has proposed a final tax exempt (one-tier) dividend of S$0.50 cents per ordinary share for the financial year ended 31 December 2018.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

All shareholders of the company receive the annual report of the company and notice of AGM within the mandatory period. The notice is also published in the local newspaper and made available on the SGXNET and the Company's website. Participation of shareholders is encouraged at the Company's general meetings. Each item of special business included in the notice of meeting will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

To facilitate voting by shareholders, the Company's Constitution allows shareholders to appoint up to two proxies to attend and vote at the same general meeting. The Board of Directors (including the Chairman of the respective Board committees), Management, as well as the external auditors will attend the Company's Annual General Meeting to address any questions that shareholders may have.

The minutes of general meetings will be made available to shareholders upon written request.

All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET and the Company's website.

D. DEALINGS IN SECURITIES

The Company has adopted internal codes applicable to all officers in relation to dealings in the Company's securities. The key guidelines are:

- Directors and key officers are prohibited from trading in the Company's securities during the period commencing one month before the announcement of the Company's half yearly and full year financial results and the prohibition ends on the day of the announcement of such results.

- Directors and key officers should not deal in the Company's securities on short-term consideration.

- Directors and key officers are required to observe the insider trading laws under the Securities Industries Act at all times even when engaging in dealings of securities within the non-prohibitory periods. To enable the Company to monitor such share transactions, Directors and key officers are required to report to the Company whenever they deal in the Company's securities.

CORPORATE GOVERNANCE REPORT

E. INTERESTED PERSON TRANSACTIONS

The Company has adopted internal guidelines in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions. The main objective is to ensure that all interested person transactions are conducted on arm's length basis and on normal commercial terms.

The AC had reviewed all interested person transactions for the financial year ended 31 December 2018 and was satisfied that there was no interested person transaction entered into by the Group in excess of S$100,000 during the financial year.

F. MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the Listing Manual, the Company confirms that there was no material contract entered into between the Company and its subsidiaries which involved the interests of any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which was entered into since the end of the previous financial year.

G. AUDITORS

The Company has complied with Rules 712, 715 and 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

STATEMENT BY DIRECTORS

The directors are pleased to present the accompanying consolidated financial statements of AP Oil International Limited (the "Company") and its subsidiaries (the "Group"), and the statement of financial position and statement of changes in equity of the Company for the reporting year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors:

(a) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) At the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. DIRECTORS

The directors of the Company in office at the date of this statement are:

<u>Executive directors</u>
Dr Ho Leng Woon
Mdm Lau Woon Chan
Mr Ho Chee Hon
Mr Chang Kwok Wah

<u>Independent and non-executive directors</u>
Mr Quah Ban Huat
Mr Tan Woon Hum

STATEMENT BY DIRECTORS

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the reporting year had no interests in the share capital of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

Name of Director	**Direct interests**	
The Company	**At beginning of reporting year**	**At end of reporting year**
Number of shares of no par value		
Dr Ho Leng Woon	61,406,250	61,406,250
Lau Woon Chan	17,531,250	17,531,250
Ho Chee Hon	11,168,937	11,168,937
Chang Kwok Wah	41,250	41,250

By virtue of section 7 of the Act, Dr Ho Leng Woon and Lau Woon Chan are deemed to have an interest in each other's direct interest in the Company and in all the related corporations of the Company.

The directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

5. OPTIONS

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

STATEMENT BY DIRECTORS

6. INDEPENDENT AUDITOR

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

Mr Quah Ban Huat (Chairman of audit committee; and independent and non-executive director)
Mr Tan Woon Hum (Independent and non-executive director)
Mr Ho Chee Hon (Executive director)

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;

- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;

- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by management to them;

- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how the independent auditor's objectivity and independence are safeguarded where the independent auditor provides non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the Company.

STATEMENT BY DIRECTORS

8. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROL

Based on the internal controls established and maintained by the Company, work performed by the internal auditor, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the Company's internal controls addressing financial, operational and compliance risks are adequate as at and for the reporting year ended 31 December 2018.

On behalf of the directors

Dr Ho Leng Woon	Mr Ho Chee Hon
Director	Director

5 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of AP Oil International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Key audit matters (Continued)

(a) Valuation of investment in equity interests of an unquoted entity

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, note 16 on other financial assets, and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

The Company had entered into an agreement with Chongqing Zongshen Powermachinery Company Limited ("Zongshen Powermachinery") and certain other parties to establish Chongqing Zongshen Financial Leasing Company Limited ("Chongqing Zongshen Financial Leasing") in the People's Republic of China for the purpose of undertaking a financial leasing business. Pursuant to this agreement, the Company subscribed for 12.5% of the equity interests in Chongqing Zongshen Financial Leasing for approximately $5,179,000 (the "Investment"). As part of this arrangement, the Company was also granted an option by Zongshen Powermachinery whereby the Company has the right to sell to Zongshen Powermachinery its equity interests in Chongqing Zongshen Financial Leasing (the "Option"). The exercise price of the Option shall be based on the higher of the Company's original capital contribution and the agreed market value at the time of exercise.

The Company accounted for the Investment and the Option together as a hybrid instrument measured at fair value through profit or loss. To this end, management has engaged an external valuer to perform an independent valuation of this financial asset as at 31 December 2018.

The fair value was determined based on the adjusted net assets approach. As Chongqing Zongshen Financial Leasing is an unquoted entity, the valuation involved significant management judgements. Accordingly, it is considered as a key audit matter.

As part of our audit procedures, we evaluated the independence, objectivity and competency of the external valuer and read their terms of engagement to check whether there are matters that might have affected the scope of their work and their objectivity. Using our internal valuation specialists, we assessed the appropriateness of the valuation methodologies adopted and the reasonableness of assumptions applied. We also challenged the adjustments to the net assets, if any, and undertook further procedures by cross-checking the fair value against other valuation approaches to assess whether it is within acceptable range and, where necessary, held further discussions with management and the external valuer.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Key audit matters (Continued)

(b) Assessment of impairment of trade receivables

Please refer to note 2A on the relevant accounting policy, note 2C on critical judgements, assumptions and estimation uncertainties, note 19 on trade and other receivables, and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*. Under the new impairment model set out in SFRS(I) 9, credit losses are recognised on an expected credit loss ("ECL") basis.

The ECLs are recognised from initial recognition of the trade receivables and, accordingly, requires management to develop new methodologies involving the use of significant judgements. In estimating the ECLs, the Group developed a matrix that took into account historical credit loss experience for the trade receivables and, where relevant, incorporated forward-looking information that reflect management's view of potential future economic conditions.

We have reviewed the allowance matrix developed by the Group and assessed management's assumptions and estimates, in particular, the historical observed default rates of trade receivables grouped based on shared credit risk characteristics and those relating to forward-looking information (if any). In addition, we have also assessed the adequacy of the loss allowance recorded as at end of the reporting year and the disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Responsibilities of management and directors for the financial statements (Continued)

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AP OIL INTERNATIONAL LIMITED

Auditor's responsibilities for the audit of the financial statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Tan Khai-Chung.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

5 April 2019

Engagement partner – effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue from contracts with customers	5	**78,378**	91,954
Cost of sales		**(68,526)**	(80,837)
Gross profit		**9,852**	11,117
Interest income		**435**	159
Other gains	6	**442**	938
Distribution costs	7	**(2,259)**	(2,639)
Administrative expenses		**(6,348)**	(7,069)
Finance costs		**(12)**	(8)
Other losses	6	**(32)**	(12)
Share of results of equity-accounted joint ventures		**7**	218
Profit before tax		**2,085**	2,704
Income tax expense	9	**(79)**	(302)
Profit for the year		**2,006**	2,402
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets, net of tax	22	**–**	24
Exchange differences on translation from functional currency to presentation currency	22	**653**	(3,165)
Share of other comprehensive income from equity-accounted joint ventures, net of tax	22	**15**	69
Other comprehensive income/(loss) for the year, net of tax		**668**	(3,072)
Total comprehensive income/(loss) for the year		**2,674**	(670)
Profit attributable to owners of the Company, net of tax		**1,933**	2,422
Profit/(loss) attributable to non-controlling interests, net of tax		**73**	(20)
Profit for the year		**2,006**	2,402
Total comprehensive income/(loss) attributable to owners of the Company		**2,601**	(650)
Total comprehensive income/(loss) attributable to non-controlling interests		**73**	(20)
Total comprehensive income/(loss) for the year		**2,674**	(670)

Earnings per share (cents per share)	Note	Group 2018 Cents	Group 2017 Cents
Continuing operations			
Basic and diluted	10	**1.17**	1.47

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group			Company		
		31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
ASSETS							
Non-current assets							
Property, plant and equipment	12	**6,833**	4,823	5,503	**595**	791	1,119
Goodwill	13	**409**	409	409	**–**	–	–
Investments in subsidiaries	14	**–**	–	–	**18,274**	17,939	19,372
Investments in joint ventures	15	**2,278**	2,386	2,177	**522**	512	228
Deferred tax assets	9	**45**	41	54	**–**	–	–
Other financial assets	16	**5,771**	5,721	887	**5,771**	5,721	887
Other assets	17	**638**	626	676	**–**	–	–
Total non-current assets		**15,974**	14,006	9,706	**25,162**	24,963	21,606
Current assets							
Inventories	18	**4,466**	4,998	7,329	**–**	–	–
Trade and other receivables	19	**9,824**	10,781	9,412	**4,161**	6,096	8,544
Other assets	17	**471**	575	296	**18**	23	24
Cash and cash equivalents	20	**34,535**	32,033	38,278	**13,058**	10,556	10,949
Total current assets		**49,296**	48,387	55,315	**17,237**	16,675	19,517
Total assets		**65,270**	62,393	65,021	**42,399**	41,638	41,123
EQUITY AND LIABILITIES							
Equity attributable to owners of the Company							
Share capital	21	**6,606**	6,606	6,606	**6,606**	6,606	6,606
Retained earnings		**44,061**	42,951	41,763	**33,696**	26,679	23,770
Other reserves	22	**4,526**	3,905	6,977	**(587)**	(1,188)	1,180
Equity attributable to owners of the Company		**55,193**	53,462	55,346	**39,715**	32,097	31,556
Non-controlling interests		**(29)**	(102)	(82)	**–**	–	–
Total equity		**55,164**	53,360	55,264	**39,715**	32,097	31,556
Non-current liabilities							
Deferred tax liabilities	9	**244**	239	257	**54**	60	87
Finance leases	23	**–**	–	23	**–**	–	–
Loans and borrowings	24	**1,237**	–	–	**–**	–	–
Total non-current liabilities		**1,481**	239	280	**54**	60	87
Current liabilities							
Income tax payable		**247**	87	672	**–**	–	3
Loans and borrowings	24	**137**	–	–	**–**	–	–
Trade and other payables	25	**8,241**	8,684	8,765	**2,630**	9,481	9,477
Finance leases	23	**–**	23	40	**–**	–	–
Total current liabilities		**8,625**	8,794	9,477	**2,630**	9,481	9,480
Total liabilities		**10,106**	9,033	9,757	**2,684**	9,541	9,567
Total equity and liabilities		**65,270**	62,393	65,021	**42,399**	41,638	41,123

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company					
Current year						
At 1 January 2018	**6,606**	**42,951**	**3,905**	**53,462**	**(102)**	**53,360**
Adoption of SFRS(I) 9 (note 16)	**–**	**–**	**(47)**	**(47)**	**–**	**(47)**
At 1 January 2018, as adjusted	**6,606**	**42,951**	**3,858**	**53,415**	**(102)**	**53,313**
Changes in equity						
Total comprehensive income for the year	**–**	**1,933**	**668**	**2,601**	**73**	**2,674**
Dividends paid (note 11)	**–**	**(823)**	**–**	**(823)**	**–**	**(823)**
At 31 December 2018	**6,606**	**44,061**	**4,526**	**55,193**	**(29)**	**55,164**
Previous year						
At 1 January 2017	6,606	41,763	6,977	55,346	(82)	55,264
Changes in equity						
Total comprehensive income/(loss) for the year	–	2,422	(3,072)	(650)	(20)	(670)
Dividends paid (note 11)	–	(1,234)	–	(1,234)	–	(1,234)
At 31 December 2017	6,606	42,951	3,905	53,462	(102)	53,360

Company	Share capital $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
Current year				
At 1 January 2018	**6,606**	**26,679**	**(1,188)**	**32,097**
Adoption of SFRS(I) 9 (note 16)	**–**	**–**	**(47)**	**(47)**
At 1 January 2018, as adjusted	**6,606**	**26,679**	**(1,235)**	**32,050**
Changes in equity				
Total comprehensive income for the year	**–**	**7,840**	**648**	**8,488**
Dividends paid (note 11)	**–**	**(823)**	**–**	**(823)**
At 31 December 2018	**6,606**	**33,696**	**(587)**	**39,715**
Previous year				
At 1 January 2017	6,606	23,770	1,180	31,556
Changes in equity				
Total comprehensive income/(loss) for the year	–	4,143	(2,368)	1,775
Dividends paid (note 11)	–	(1,234)	–	(1,234)
At 31 December 2017	6,606	26,679	(1,188)	32,097

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	$'000	$'000
Cash flows from operating activities		
Profit before tax	**2,085**	2,704
Adjustments for:		
Interest income	**(435)**	(159)
Interest expense	**12**	8
Insurance premium charged to profit or loss	**8**	8
Depreciation of property, plant and equipment	**1,116**	1,258
Share of results of equity-accounted joint ventures, net of tax	**(7)**	(218)
Gain on disposal of property, plant and equipment	**(11)**	(31)
Operating cash flows before changes in working capital	**2,768**	3,570
Inventories	**625**	1,789
Trade and other receivables	**1,157**	(2,064)
Other assets	**115**	(301)
Trade and other payables	**(282)**	(728)
Net cash flows from operations	**4,383**	2,266
Net income taxes refunded/(paid)	**71**	(892)
Net cash flows from operating activities	**4,454**	1,374
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,166)**	(690)
Proceeds from disposal of property, plant and equipment	**22**	58
Investment in other financial assets	**–**	(5,179)
Interest received	**435**	159
Dividends from joint ventures	**133**	136
Net cash flows used in investing activities	**(2,576)**	(5,516)
Cash flows from financing activities		
Dividends paid	**(823)**	(1,234)
Decrease in cash restricted in use	**568**	–
Proceeds from loans and borrowings	**1,374**	–
Repayment of finance leases	**(23)**	(40)
Interest paid	**(12)**	(8)
Net cash flows from/(used in) financing activities	**1,084**	(1,282)
Net increase/(decrease) in cash and cash equivalents	**2,962**	(5,424)
Cash and cash equivalents at 1 January	**31,478**	37,724
Net effect of exchange rate changes on cash and cash equivalents	**95**	(822)
Cash and cash equivalents at 31 December (note 20A)	**34,535**	31,478

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1. GENERAL

AP Oil International Limited (the "Company") is incorporated in Singapore with limited liability and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company is situated in Singapore and its registered office is 30 Gul Crescent, Singapore 629535.

The financial statements as at and for the reporting year ended 31 December 2018 comprise the Company and its subsidiaries (the "Group") and the Group's interests in equity-accounted investees.

The financial statements are presented in Singapore dollars and the amounts are rounded to the nearest thousand, unless otherwise stated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The Company is an investment holding Company.

The principal activities of the subsidiaries and joint ventures are set out in notes 14 and 15 respectively.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS(I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and also with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

1. GENERAL (CONTINUED)

Basis of preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2C.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

Subsequent developments

There are no significant developments, subsequent to the release of the Group's and the Company's preliminary financial statements as announced on 26 February 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods

Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer generally on delivery of the goods (in this respect, incoterms are considered).

Rendering of services

Revenue from service orders and term projects is recognised when the Group satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Rental revenue

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Other income

Dividend income

Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably.

Interest income

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

The functional currency of the Company is the United States dollar (US$) as it reflects the primary economic environment in which the entity operates.

Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as qualifying cash flow hedges.

The presentation currency is the Singapore dollar (S$) as the financial statements are meant primarily for users in Singapore. Accordingly, for the financial statements presented in Singapore dollar, assets and liabilities are translated at year end rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity. The translation of US$ amounts into S$ amounts are included solely for the convenience of readers. The reporting year end rates used are US$1 to S$1.36 (2017: US$1 to S$1.33) which approximates the rate of exchange at the end of the reporting year. The average rate of exchange for the reporting year is US$1 to S$1.35 (2017: US$1 to S$1.37). Such translation should not be construed as a representation that the Singapore dollar amounts could be converted into US dollars at the above rate or other rate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity into the presentation currency for incorporation in the consolidated financial statements the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss or other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, associate and joint venture except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties and improvements	–	Over terms of lease, ranging from 3.13% to 9.09% per annum
Plant and equipment	–	20% to 100% per annum

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the Company's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Joint arrangements – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement.

In the consolidated financial statements, the accounting for investments in a joint venture is based on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of a joint venture in excess of the reporting entity's interest in the relevant joint venture are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and a joint venture are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint venture are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be a joint venture and accounts for the investment in accordance with SFRS(I) 9 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former joint venture is measured at fair value at the date that it ceases to be a joint venture.

In the Company's separate financial statements, an investment in joint venture is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for joint venture is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of an investment in joint venture are not necessarily indicative of the amounts that would be realised in a current market exchange.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with SFRS(I) 3 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with SFRS(I) 3.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or Groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or Groups of units. Each unit or Group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs to sell and its value in use. When the fair value less costs to sell method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Financial instruments

Recognition and derecognition of financial instruments

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets

(i) Financial asset classified as measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

(ii) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI")

There were no financial assets classified in this category at reporting year end date.

(iii) Financial asset that is an equity investment classified as measured at FVTOCI

There were no financial assets classified in this category at reporting year end date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

(iv) Financial asset classified as measured at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities

Financial liabilities are classified as at FVTPL in either of the following circumstances:

(i) The liabilities are managed, evaluated and reported internally on a fair value basis; or

(ii) The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2B. Other explanatory information

Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Investment in equity interests of unquoted entity

The financial instrument stated at fair value is not based on quoted price in an active market. Therefore, there is significant measurement uncertainty involved in the measurement of fair value. Management has engaged an external valuer to perform an independent valuation of this investment as at 31 December 2018. The fair value was determined based on the adjusted net assets approach. The assumptions and fair value are disclosed in note 16B to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Assessment of impairment of trade receivables

The trade receivables are subject to the expected credit loss ("ECL") model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

Recoverability of non-current other assets

Non-current other assets mainly comprise a prepayment for purchase of land. As described in note 17 to the financial statements, on 14 January 2008, a subsidiary of the Company entered into an agreement with a Company in Vietnam with the intention of establishing a joint arrangement for the purpose of acquiring three parcels of land in Vietnam. To this end, the subsidiary has made a deposit of US$468,800. However, as at 31 December 2018, the land purchase has not yet been completed nor has the joint arrangement been set up. These are also not expected to be finalised within the next 12 months from the end of the reporting year. In making this judgement, management considered the creditworthiness of the counterparty, the market value of the land and the legal recourse in the event of dispute.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Dr Ho Leng Woon, a director and significant shareholder of the Company.

3A. Related party transactions

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any non-current balances and financial guarantees no interest or charge is imposed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3A. Related party transactions (Continued)

Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2018	2017
	$'000	$'000
Joint venture		
Sale of goods	**7,992**	10,798

3B. Key management compensation

	Group	
	2018	2017
	$'000	$'000
Salaries and other short-term employee benefits(#)	**1,653**	2,107

(#) Salaries and other short-term employee benefits include accrual adjustments made during the year.

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2018	2017
	$'000	$'000
Remuneration of directors of the Company	**1,395**	1,570
Remuneration of directors of subsidiaries	**221**	221
Fees to directors of the Company	**90**	90

Further information about the remuneration of individual directors is provided in the report on corporate governance. Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The above amounts for key management compensation are for all the directors of the Company and of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS(I) 8 *Operating Segments*. This disclosure standard has no impact on the reported financial performance or financial position of the Group.

For management purposes, the Group is organised into the following three major strategic operating segments that offer different products and services:

(i) Manufacturing – This segment manufactures a range of lubricating oils and fluids and specialty chemicals for industrial, automotive and marine applications and provides blending services to its customers. The manufactured goods are sold under the Group's brand names;

(ii) Trading – This segment trades in base oil and additives and specialty chemicals; and

(iii) Franchising – This segment includes trade in raw materials for products under the Company's brand names.

Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as internal reporting system. It represents the basis on which management reports the primary segment information. They are managed separately because each business requires a different strategy.

Inter-segment sales are measured on the basis that the Group actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4B. Profit or loss from continuing operations and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
2018					
Continuing operations					
Revenue by segment	**31,847**	**39,066**	**9,340**	**–**	**80,253**
Inter-segment sales	**(561)**	**(1,314)**	**–**	**–**	**(1,875)**
Total revenue	**31,286**	**37,752**	**9,340**	**–**	**78,378**
Gross profit	**7,234**	**1,803**	**815**	**–**	**9,852**
Interest income				**435**	**435**
Other gains				**442**	**442**
Finance costs				**(12)**	**(12)**
Other losses				**(32)**	**(32)**
Unallocated expenses				**(8,607)**	**(8,607)**
Share of results of joint ventures				**7**	**7**
Profit before tax from continuing operations					**2,085**
Income tax expense				**(79)**	**(79)**
Profit from continuing operations, net of tax					**2,006**
2017					
Continuing operations					
Revenue by segment	42,335	38,377	13,302	–	94,014
Inter-segment sales	(783)	(1,277)	–	–	(2,060)
Total revenue	41,552	37,100	13,302	–	91,954
Gross profit	7,445	2,280	1,392	–	11,117
Interest income				159	159
Other gains				938	938
Finance costs				(8)	(8)
Other losses				(12)	(12)
Unallocated expenses				(9,708)	(9,708)
Share of results of joint ventures				218	218
Profit before tax from continuing operations					2,704
Income tax expense				(302)	(302)
Profit from continuing operations, net of tax					2,402

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4C. Assets and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
31 December 2018					
Total assets for reportable segments	**11,304**	**4,377**	**4,545**	**–**	**20,226**
Unallocated:					
– Deferred tax assets	**–**	**–**	**–**	**45**	**45**
– Cash and cash equivalents	**–**	**–**	**–**	**34,535**	**34,535**
– Investments in joint ventures	**–**	**–**	**–**	**2,278**	**2,278**
– Other unallocated amounts	**–**	**–**	**–**	**8,186**	**8,186**
Total assets	**11,304**	**4,377**	**4,545**	**45,044**	**65,270**
31 December 2017					
Total assets for reportable segments	11,172	5,561	3,011	–	19,744
Unallocated:					
– Deferred tax assets	–	–	–	41	41
– Cash and cash equivalents	–	–	–	32,033	32,033
– Investments in joint ventures	–	–	–	2,386	2,386
– Other unallocated amounts	–	–	–	8,189	8,189
Total assets	11,172	5,561	3,011	42,649	62,393
1 January 2017					
Total assets for reportable segments	12,108	5,745	3,329	–	21,182
Unallocated:					
– Deferred tax assets	–	–	–	54	54
– Cash and cash equivalents	–	–	–	38,278	38,278
– Investments in joint ventures	–	–	–	2,177	2,177
– Other unallocated amounts	–	–	–	3,330	3,330
Total assets	12,108	5,745	3,329	43,839	65,021

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4D. Liabilities and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
31 December 2018					
Total liabilities for reportable segments	**3,927**	**2,733**	**762**	**–**	**7,422**
Unallocated:					
– Deferred and current tax liabilities	**–**	**–**	**–**	**491**	**491**
– Other unallocated amounts	**–**	**–**	**–**	**2,193**	**2,193**
Total liabilities	**3,927**	**2,733**	**762**	**2,684**	**10,106**
31 December 2017					
Total liabilities for reportable segments	4,232	1,671	560	–	6,463
Unallocated:					
– Deferred and current tax liabilities	–	–	–	326	326
– Other unallocated amounts	–	–	–	2,244	2,244
Total liabilities	4,232	1,671	560	2,570	9,033
1 January 2017					
Total liabilities for reportable segments	4,701	2,275	761	–	7,737
Unallocated:					
– Deferred and current tax liabilities	–	–	–	929	929
– Other unallocated amounts	–	–	–	1,091	1,091
Total liabilities	4,701	2,275	761	2,020	9,757

4E. Other material items and reconciliations

	Manufacturing $'000	Trading $'000	Franchising $'000	Unallocated $'000	Total $'000
Depreciation					
2018	**352**	**373**	**–**	**391**	**1,116**
2017	441	397	–	420	1,258
Capital expenditure					
2018	**1,034**	**177**	**–**	**1,955**	**3,166**
2017	290	257	–	143	690

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

4F. Geographical information

	Revenue		Non-current assets		
			31 December	31 December	1 January
	2018	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000
Singapore	**43,256**	51,563	**6,041**	3,894	5,046
Vietnam	**8,089**	10,832	**2,362**	2,468	2,075
United Arab Emirates	**7,353**	3,999	**–**	–	–
People's Republic of China ("PRC")	**3,405**	2,491	**1,755**	1,882	1,644
Philippines	**2,390**	1,406	**–**	–	–
Malaysia	**2,242**	2,656	**–**	–	–
Indonesia	**2,070**	2,077	**–**	–	–
Bangladesh	**1,844**	5,621	**–**	–	–
Myanmar	**1,716**	2,004	**–**	–	–
Sri Lanka	**1,664**	–	**–**	–	–
Netherlands	**870**	266	**–**	–	–
Others	**3,479**	9,039	**–**	–	–
	78,378	91,954	**10,158**	8,244	8,765

Revenue is attributed to the geographical areas where they are derived by the Group. The non-current assets are analysed by the geographical areas in which the assets are located. The non-current assets exclude deferred tax assets and other financial assets.

4G. INFORMATION ABOUT MAJOR CUSTOMERS

One customer (2017: two customers) of the Group contributed more than 10% of the Group's total revenue. One customer (2017: two customers) contributed approximately $8,000,000 (2017: $32,000,000) in revenue.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

5A. Classification by type of goods or services

	Group	
	2018	2017
	$'000	$'000
Sale of goods	**75,737**	88,396
Rendering of services	**1,388**	1,875
Rental revenue	**1,253**	1,683
	78,378	91,954

5B. Classification by duration of contracts

	Group	
	2018	2017
	$'000	$'000
Short-term contracts	**78,378**	91,954

5C. Classification by timing of revenue recognition

	Group	
	2018	2017
	$'000	$'000
Point in time	**77,125**	90,271
Over time	**1,253**	1,683
	78,378	91,954

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

6. OTHER GAINS/(LOSSES)

	Group	
	2018	**2017**
	$'000	**$'000**
Allowance for impairment of trade receivables	**(2)**	(9)
Bad debts recovered on trade receivables	**1**	6
Bad debts written-off on trade receivables	**(21)**	–
Foreign exchange (losses)/gains	**(9)**	392
Gain on disposal of plant and equipment	**11**	31
Government grant income	**81**	140
Plant and equipment written-off	**–**	(3)
Royalty income	**37**	16
Other income	**312**	353
	410	926
Presented in profit or loss as:		
Other gains	**442**	938
Other losses	**(32)**	(12)
	410	926

7. DISTRIBUTION COSTS

Major components include the following:

	Group	
	2018	**2017**
	$'000	**$'000**
Employee benefits expense	**1,150**	1,115
Freight charges	**716**	1,011

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense	**5,899**	6,617
Contributions to defined contribution plan	**498**	536
Others	**166**	178
	6,563	7,331
Included in:		
Cost of sales	**1,725**	1,695
Distribution costs	**1,151**	1,115
Administrative expenses	**3,687**	4,521
	6,563	7,331

9. INCOME TAX

9A. Components of tax expense recognised in profit or loss

	Group	
	2018	2017
	$'000	$'000
Current tax		
Current tax expense	**249**	311
Adjustments to current tax in respect of prior years	**(171)**	(4)
	78	307
Deferred tax		
Deferred tax expense	**1**	9
Adjustments to deferred tax in respect of prior years	**–**	(14)
	1	(5)
	79	302

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX (CONTINUED)

9A. Components of tax expense recognised in profit or loss (Continued)

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit before income tax as a result of the following:

	Group	
	2018	**2017**
	$'000	**$'000**
Profit before tax from continuing operations	**2,085**	2,704
Less: Share of results of equity-accounted joint ventures	**(7)**	(218)
	2,078	2,486
Income tax expense at the above rate	**353**	423
Non-deductible items	**75**	88
Income not subject to tax	**(80)**	(107)
Adjustments to current tax in respect of prior years	**(171)**	(4)
Adjustments to deferred tax in respect of prior years	**–**	(14)
Tax rebates	**(30)**	(40)
Tax exemptions	**(78)**	(78)
Recognition of previously unrecognised tax losses	**(27)**	–
Current year losses for which no deferred tax assets was recognised	**–**	8
Others	**37**	26
	79	302

There are no income tax consequences of dividends to owners of the Company. Temporary differences arising in connection with interests in subsidiaries and associates are insignificant.

9B. Deferred tax expense/(benefit) recognised in profit or loss

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	**$'000**	**$'000**
<u>Movements during the year</u>			
Excess of net book value over tax value of property, plant and equipment	**7**	(18)	(36)
Excess of tax value over net book value of property, plant and equipment	**(4)**	4	(10)
Provision for unutilised leave	**(2)**	9	–
Unutilised tax losses	**27**	(8)	58
Unutilised capital allowance	**–**	–	18
Unrecognised deferred tax assets	**(27)**	8	(63)
	1	(5)	(33)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

9. INCOME TAX (CONTINUED)

9C. Deferred tax in statement of financial position

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Excess of net book value over tax value of property, plant and equipment	**(266)**	(259)	(277)
Excess of tax value over net book value of property, plant and equipment	**44**	40	44
Provision for unutilised leave	**23**	21	30
Unutilised tax losses	**262**	289	281
Unrecognised deferred tax assets	**(262)**	(289)	(281)
	(199)	(198)	(203)
Presented in statement of financial position as follows:			
Deferred tax assets	**45**	41	54
Deferred tax liabilities	**(244)**	(239)	(257)
	(199)	(198)	(203)

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Excess of net book value over tax value of property, plant and equipment	**(64)**	(70)	(105)
Provision for unutilised leave	**10**	10	18
	(54)	(60)	(87)
Presented in statement of financial position as follows:			
Deferred tax liabilities	**(54)**	(60)	(87)

It is impracticable to estimate the amount expected to be settled or utilised within one year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of shares outstanding during the reporting year. The following sets out the numerators and denominators used to calculate basic earnings per share of no par value:

	Group	
	2018	**2017**
	$'000	**$'000**
Numerator		
Profit attributable to owners of the Company, net of tax	**1,933**	2,422

	2018	**2017**
	'000	**'000**
Denominator		
Weighted average number of shares	**164,531**	164,531

Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective reporting years.

11. DIVIDENDS

	Company	
	2018	**2017**
	$'000	**$'000**
Final tax exempt (1-tier) dividend paid at 0.50 cents (2017: 0.75 cents) per share	**823**	1,234

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties and improvements $'000	Plant and equipment $'000	Construction in progress $'000	Total $'000
Group				
Cost				
At 1 January 2017	6,867	12,879	–	19,746
Additions	26	614	50	690
Disposals	–	(81)	–	(81)
Written-off	(24)	(164)	–	(188)
Foreign exchange adjustments	(254)	(321)	(1)	(576)
At 31 December 2017	6,615	12,927	49	19,591
Additions	2	475	2,689	3,166
Disposals	–	(282)	–	(282)
Written-off	(871)	(361)	–	(1,232)
Foreign exchange adjustments	59	72	(7)	124
At 31 December 2018	**5,805**	**12,831**	**2,731**	**21,367**
Accumulated depreciation				
At 1 January 2017	4,289	9,954	–	14,243
Depreciation for the year	186	1,072	–	1,258
Disposals	–	(54)	–	(54)
Written-off	(23)	(162)	–	(185)
Foreign exchange adjustments	(204)	(290)	–	(494)
At 31 December 2017	4,248	10,520	–	14,768
Depreciation for the year	178	938	–	1,116
Disposals	–	(271)	–	(271)
Written-off	(871)	(361)	–	(1,232)
Foreign exchange adjustments	95	58	–	153
At 31 December 2018	**3,650**	**10,884**	**–**	**14,534**
Net book value				
At 1 January 2017	2,578	2,925	–	5,503
At 31 December 2017	2,367	2,407	49	4,823
At 31 December 2018	**2,155**	**1,947**	**2,731**	**6,833**

Certain leasehold properties are pledged to the bank as security for bank facilities (note 24).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold properties and improvements $'000	Plant and equipment $'000	Total $'000
Company			
Cost			
At 1 January 2017	1,403	1,309	2,712
Foreign exchange adjustments	(104)	(97)	(201)
At 31 December 2017	1,299	1,212	2,511
Foreign exchange adjustments	24	24	48
At 31 December 2018	**1,323**	**1,236**	**2,559**
Accumulated depreciation			
At 1 January 2017	991	602	1,593
Depreciation for the year	16	236	252
Foreign exchange adjustments	(74)	(51)	(125)
At 31 December 2017	933	787	1,720
Depreciation for the year	16	194	210
Foreign exchange adjustments	17	17	34
At 31 December 2018	**966**	**998**	**1,964**
Net book value			
At 1 January 2017	412	707	1,119
At 31 December 2017	366	425	791
At 31 December 2018	**357**	**238**	**595**

Allocation of depreciation expense

	Group 2018 $'000	Group 2017 $'000
Cost of sales	**524**	642
Administrative expenses	**592**	616
	1,116	1,258

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following are properties held by the Group at end of the reporting year:

Location of properties	Tenure	Gross land area (sqm)	Gross built-in area (sqm)	Existing use
Singapore				
No. 30 Gul Crescent, Singapore 629535	60 years lease with effect from 1 April 1981 and expiring in March 2041	5,217	1,550	Manufacture of lubricating oils and fluids
No. 18 Pioneer Sector 1, Singapore 628428	44 years and 10 months lease with effect from 1 February 1979 and expiring in November 2023	8,426	1,837	Manufacture of lubricating oils and fluids
No. 19 Tractor Road, Singapore 627977	22 years 10 months lease with effect from 29 February 2008 and expiring in December 2030	5,988	1,853	Toll-blend and manufacture of chemicals and specialty chemicals
PRC				
Rooms 2102 and 2103 East Tower, BHC Business Center, 2218 Hunan Road, Shanghai 201204, PRC	50 years lease with effect from 25 November 2011 and expiring in November 2061	18,569	68	Office

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

13. GOODWILL

	Group	
	31 December 2018 $'000	31 December 2017 $'000
At beginning and end of year	**409**	409

Goodwill is allocated to a CGU for the purpose of impairment testing. This CGU represents the Group's investment in GB Chemicals Pte Ltd ("GB Chemicals"), a subsidiary of the Company (see note 14).

The goodwill is tested for impairment at end of reporting year. An impairment loss is the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of CGU's have been measured based on the fair value less costs of disposal method or the value in use method as appropriate for the separate CGUs.

No impairment allowance was recognised by the Group as the carrying amount of the CGU was lower than its recoverable amount.

The value in use was determined by management. The key assumptions for value in use calculations are those regarding the discount rate, growth rate and expected changes to selling prices and direct costs during the year. Management estimates the discount rate using pre-tax rate that reflects current market assessments of the time value of money and risks specific to the CGU. The growth rate is based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The impairment test has been carried out using a discounted cash flows model covering a five year period. Cash flow projections are made based on current year's results with 0% growth rate (2017: 0%). The estimated discount rate using pre-tax rate that reflects current market assessments at the risks specific to the CGU is 13.8% (2017: 12.9%).

Actual outcomes could vary from these estimates. If the revised estimated gross margin at end of reporting year had been 10% less favourable than management's estimates, the goodwill would have to be fully impaired. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% less favourable than management's estimates, the recoverable amount is still greater than the carrying value of the goodwill and no impairment for goodwill will be required. If the actual gross margin and pre-tax discount rate had been more favourable than management's estimates, management would not be able to reverse any impairment losses that arose on goodwill because SFRS(I) 1-36 does not permit reversing an impairment loss for goodwill.

The value in use is a recurring fair value measurement (level 3) determined by management. The quantitative information on value in use measurement using significant unobservable inputs for the CGU are consistent with those used for the measurement last performed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

14. INVESTMENTS IN SUBSIDIARIES

	Company		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Unquoted equity shares at cost	**16,971**	18,327	15,689
Disposals	**–**	–	2,246
Foreign exchange adjustments	**316**	(1,356)	392
	17,287	16,971	18,327
Less: Allowance for impairment	**(942)**	(925)	(999)
	16,345	16,046	17,328
Quasi-equity loan(#)	**1,893**	2,044	2,000
Foreign exchange adjustments	**36**	(151)	44
	1,929	1,893	2,044
	18,274	17,939	19,372
Net book value of subsidiaries	**32,802**	36,239	39,987
Movements in allowance for impairment are as follows:			
At beginning of year	**925**	999	822
Charge to profit or loss	**–**	–	154
Foreign exchange adjustments	**17**	(74)	23
At end of year	**942**	925	999

(#) The quasi-equity loan represents an interest-free loan from the Company to its subsidiary, AP Vietnam Holdings Pte Ltd ("AP Vietnam"). This loan is not expected to be repaid in the foreseeable future. AP Vietnam, in turn, holds the Group's 30% equity interests in the joint venture, AP Saigon Petro Joint Stock Company ("AP Saigon") (see note 15).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Information of the subsidiaries are as follows:

Name	Country of Incorporation	Principal activities	Proportion of ownership interest		
			31 December 2018 %	31 December 2017 %	1 January 2017 %
Held by the Company					
A.I.M. Chemical Industries Pte Ltd[(a)]	Singapore	Toll-blending and manufacturing of specialty chemicals and trading of chemical products	**100**	100	100
Alpha Pacific Petroleum (S) Pte Ltd[(a)]	Singapore	Importers and exporters, and blending of lubricating oil and grease	**100**	100	100
AP Oil Pte Ltd ("APPL")[(a)]	Singapore	Importers and exporters of mineral, steel-related, oil and oil-related products as well as investment holding	**100**	100	100
GB Chemicals[(a)]	Singapore	Manufacturing and trading of cleaning and chemical products and trading of equipment	**100**	100	100
Axel Oil Pte Ltd[(a)]	Singapore	Dormant	**100**	100	100
AP Vietnam Pte Ltd ("AP Vietnam")[(a)]	Singapore	Investment holding	**100**	100	100
Alpha Pacific Developments Holdings Pte Ltd[(a)]	Singapore	Dormant	**100**	100	100
Heptalink Chemicals Pte Ltd ("Heptalink Chemicals")[(b)]	Singapore	Trading and distribution of chemicals	**60**	60	60
AP Oil Singapore (Shanghai) Limited[(c)]	PRC	Wholesale, import and export of lubricating oil	**100**	100	100
Held through APPL					
AP Tang Mining Phil. Corporation[(d)]	Philippines	Dormant	**90**	90	90

(a) Audited by RSM Chio Lim LLP in Singapore.

(b) Audited by Wong, Lee & Associates LLP, a firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. As at end of reporting year, Heptalink Chemicals is in the process of winding up by way of members voluntary liquidation.

(c) Audited by Zhongzhun CPA LLP, which is not a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(d) Two shares, representing 0.008% interest in the subsidiary, are held in trust by certain directors of the Company. Not audited as it is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

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15. INVESTMENTS IN JOINT VENTURES

	Group	
	2018	**2017**
	$'000	**$'000**
At beginning of year	**2,386**	2,177
Additions	**–**	311
Share of results for the year	**7**	218
Dividends	**(133)**	(136)
Foreign exchange adjustments	**18**	(184)
At end of year	**2,278**	2,386

The carrying value comprises the following:

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	**$'000**	**$'000**
Unquoted equity shares at cost	**1,831**	1,831	1,520
Share of post-acquisition results, net of dividends received	**908**	1,034	1,068
Foreign exchange adjustments	**(461)**	(479)	(411)
	2,278	2,386	2,177
Share of net book value of joint ventures	**2,278**	2,386	2,177

	Company	
	2018	**2017**
	$'000	**$'000**
At beginning of year	**512**	228
Additions	**–**	311
Foreign exchange adjustments	**10**	(27)
At end of year	**522**	512

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YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The carrying value comprises the following:

	Company		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Unquoted equity shares at cost	**534**	534	223
Foreign exchange adjustments	**(12)**	(22)	5
	522	512	228
Share of net book value of joint ventures	**522**	512	228

Information on the joint ventures are as follows:

Name	Country of Incorporation	Principal activities	Proportion of ownership interest		
			31 December 2018 %	**31 December 2017 %**	**1 January 2017 %**
Held by the Company					
AP Oil Singapore (Chongqing) Ltd ("AP Oil Chongqing")[(a)]	PRC	Trading of petroleum lubricating oils, base oils, additives and petrochemical related products	**51**	51	51
Held through AP Vietnam					
AP Saigon Petro JSC[(b)]	Vietnam	Manufacturing and blending of all types of lubricants, additives and chemicals and provision of logistics services for lubricants, chemicals, additives and petroleum related products	**30**	30	30

(a) Audited by Zhongzhun CPA LLP, a firm of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(b) Audited by RSM DTL Auditing Company Ltd, a member firm of RSM International of which RSM Chio Lim LLP in Singapore is a member.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

15A. AP Oil Chongqing

AP Oil Chongqing was established on 24 August 2015 by the Company and another entity. The parties expect the arrangement to benefit them in different ways. AP Oil Chongqing's legal form causes it to be a separate vehicle to be considered in its own right. The articles and association of AP Oil Chongqing establishes joint control of the activities of AP Oil Chongqing. The joint arrangement is carried out through a separate vehicle, whose legal form confers separation between the parties and the separate vehicle, and the parties have rights to the net assets of AP Oil Chongqing. The Company recognises its rights to the net assets of AP Oil Chongqing as investment and account for it using the equity method.

AP Oil Chongqing is considered as an immaterial joint venture to the Group. The summarised financial information for AP Oil Chongqing and the amounts (and not the Group's share of those amounts) based on the financial statements of AP Oil Chongqing are set out below. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	Group	
	2018	**2017**
	$'000	**$'000**
Profit for the year	**53**	38

		Group	
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	**$'000**	**$'000**
Net assets of joint venture	**1,080**	1,063	416

15B. AP Saigon

AP Saigon was established by the Company and two other entities. The parties expect the arrangement to benefit them in different ways. AP Saigon's legal form causes it to be a separate vehicle to be considered in its own right. The shareholders' agreement establishes joint control of the activities of AP Saigon. The joint arrangement is carried out through a separate vehicle, whose legal form confers separation between the parties and the separate vehicle, and the parties have rights to the net assets of AP Saigon. The Company recognises its rights to the net assets of AP Saigon as investment and account for it using the equity method.

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15. INVESTMENTS IN JOINT VENTURES (CONTINUED)

15B. AP Saigon (Continued)

The summarised financial information for AP Saigon and the amounts (and not the Group's share of those amounts) based on the financial statements of AP Saigon are set out below. These are adjusted to reflect adjustments made by the reporting entity when using the equity method.

	Group	
	2018	2017
	$'000	$'000
Dividends received from joint venture	**133**	136
Revenue	**15,493**	19,782
Profit for the year	**215**	760
Depreciation and amortisation	**(134)**	(140)
Interest income	**304**	395
Interest expense	**(73)**	(94)
Income tax expense	**(120)**	(190)

		Group	
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Current assets	**10,887**	13,459	15,973
Cash and cash equivalents	**221**	5,738	8,279
Non-current assets	**605**	716	856
Current liabilities	**(5,743)**	(8,035)	(10,262)
Current financial liabilities (excluding trade and other payables and provisions)	**(30)**	(4,961)	(9,446)

		Group	
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Reconciliation			
Net assets of joint venture	**5,749**	6,140	6,567
Proportion of Group's interest	**30%**	30%	30%
Other adjustments	**2**	2	(5)
Carrying amount of interest in joint venture	**1,727**	1,844	1,965

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16. OTHER FINANCIAL ASSETS, NON-CURRENT

	Group and Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Key man life insurance policy (note 16A)	**800**	840	887
Investment in equity interests of unquoted entity at FVTPL (note 16B)	**4,971**	4,881	–
	5,771	5,721	887

16A. Key man life insurance policy

	Group and Company	
	2018 $'000	2017 $'000
At beginning of year	**840**	887
Adoption of SFRS(I) 9[(#)]	**(47)**	–
At beginning of year, as adjusted	**793**	887
Insurance premium recorded in profit or loss	**(8)**	(8)
Increase in fair value through other comprehensive income (note 22)	**–**	24
Foreign exchange adjustments	**15**	(63)
At end of year	**800**	840

(#) The key man life insurance policy was previously designated as an available-for-sale financial asset. Upon adoption of SFRS(I) 9, the Group re-designated it as financial asset measured at amortised cost. Accordingly, the amounts previously recorded in the fair value reserve has been reclassified against the carrying value on 1 January 2018.

From 1 January 2018 onwards, the key man life insurance policy (life insurance settlement contract) is accounted under the investment method. The initial investment at the transaction price plus all initial direct external costs and the policy premiums and direct external costs to keep the policy in force are capitalised. The Group does not recognise a gain until the policy is terminated, at which time the Group recognises in profit or loss the difference between the carrying amount of a life settlement contract and the life insurance proceeds of the underlying life insurance policy. A test for impairment is made if there is new or updated information that indicates that the expected proceeds (based on current interest rates) from the insurance policy will not be sufficient to recover the carrying amount of the investment plus anticipated undiscounted future premiums and capitalisable direct external costs, when the policy terminates. The impairment allowance is charged to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

16. OTHER FINANCIAL ASSETS, NON-CURRENT (CONTINUED)

16B. Investment in equity interests of unquoted entity at FVTPL

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Fair value at beginning of year	**4,881**	–
Additions	**–**	5,179
Foreign exchange adjustments	**90**	(298)
Fair value at end of year	**4,971**	4,881

In 2016, the Company entered into an agreement with Chongqing Zongshen Powermachinery Company Limited ("Zongshen Powermachinery"), MoneyMax Financial Services Limited ("MoneyMax") and Chongqing Free Trade Port Area Development and Management Group Company Limited to establish Chongqing Zongshen Financial Leasing Company Limited ("Chongqing Zongshen Financial Leasing") in the PRC for the purpose of undertaking a financial leasing business. Pursuant to this agreement, the Company subscribed for 12.5% of the equity interests (unquoted) in Chongqing Zongshen Financial Leasing for approximately $5,179,000 (the "Investment"). The Company fully paid up the Investment during the year ended 31 December 2017.

At the same time, as part of this arrangement, the Company also entered into a supplementary agreement with all the above parties pursuant to which Zongshen Powermachinery granted put options to the Company and Moneymax whereby the Company and Moneymax have the right to sell to Zongshen Powermachinery, at their sole discretion, all or part of their equity interests in Chongqing Zongshen Financial Leasing (the "Option"). The Option is exercisable on 1 January 2018 and shall be valid for as long as the Company holds the equity interests in Chongqing Zongshen Financial Leasing, and the exercise price shall be based on the higher of the Company's original capital contribution and the agreed market value at the time of exercise.

The Company accounted for this entire hybrid instrument as at FVTPL. The fair value of the financial asset, which is categorised within level 3 of the fair value hierarchy, was determined by an external valuer, Baker Tilly Consultancy (Singapore) Pte Ltd, based on the adjusted net assets approach.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

17. OTHER ASSETS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current assets						
Prepayment for purchase of land(#)	**638**	626	676	**–**	–	–
Current assets						
Prepayments	**406**	476	237	**16**	21	15
Deposits to secure services	**65**	99	59	**2**	2	9
	471	575	296	**18**	23	24

(#) On 14 January 2008, AP Vietnam, a subsidiary of the Company, entered into an agreement with a Vietnamese company with the intention of establishing a joint arrangement for the purpose of acquiring three parcels of land in Vietnam. To this end, AP Vietnam paid a deposit of US$468,800. However, as at 31 December 2018, the land purchase has not yet been completed nor has the joint arrangement been set up. These are also not expected to be finalised within the next 12 months from end of reporting year. Accordingly, the prepayment is classified as non-current asset.

18. INVENTORIES

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Finished goods and goods for resale	**1,599**	1,800	2,029
Raw materials	**2,867**	3,198	5,300
	4,466	4,998	7,329

	Group	
	2018 $'000	2017 $'000
Raw materials used	**64,160**	76,161
Write-down of inventories to profit or loss included in cost of sales	**(21)**	19
Changes in inventories of finished goods and goods for resale	**(201)**	(229)

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade receivables						
Outside parties	**10,507**	11,453	10,104	**687**	674	725
Less: Allowance for impairment	**(704)**	(683)	(724)	**(687)**	(674)	(720)
	9,803	10,770	9,380	**–**	–	5
Other receivables						
Other receivables	**21**	11	32	**11**	24	36
Subsidiaries (note 3)(#)	**–**	–	–	**4,150**	6,072	8,503
	21	11	32	**4,161**	6,096	8,539
	9,824	10,781	9,412	**4,161**	6,096	8,544

(#) As at 31 December 2017, included in other receivables due from subsidiaries was an amount of $421,797 which was unsecured, bore interest at 3.5% per annum and was repayable within the next 12 months.

Movements in allowance for impairment are as follows:

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At beginning of year	**683**	724	**674**	720
Charge for trade receivables to profit or loss included in other losses (note 6)	**21**	9	**–**	–
Amounts written-off	**(13)**	(4)	**–**	–
Foreign exchange adjustments	**13**	(46)	**13**	(46)
At end of year	**704**	683	**687**	674

The trade receivables are subject to the ECL model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on its historical observed default rates (over a period ranging from 12 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Loss allowance for trade receivables was determined as follows:

	Group					
	Gross amount		**ECL rate**		**Loss allowance**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**%**	**%**	**$'000**	**$'000**
Current	**5,479**	7,088	**0.05**	0.04	**3**	3
1 to 30 days past due	**2,685**	1,982	**0.11**	0.15	**3**	3
31 to 60 days past due	**542**	745	**0.37**	0.40	**2**	3
Over 60 days past due	**1,801**	1,638	**38.65**	41.15	**696**	674
	10,507	11,453			**704**	683

The trade receivables are considered to have low credit risk individually. At end of reporting year, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. Out of the loss allowance of $704,000 (2017: $683,000), $687,000 (2017: $674,000) relate to long outstanding debtors of the Company before it became an investment holding company.

At each subsequent reporting date, an evaluation is made as to whether there is significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at reporting date (based on modified cash flows). Adjustment to loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to customers is between 30 to 90 days (2017: 30 to 90 days). However, certain customers may take a longer period to settle the amounts.

Other receivables are normally with no fixed terms of repayment and therefore there is no maturity.

Concentration of trade receivable customers at end of reporting year:

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$'000	**$'000**	**$'000**
Top 1 customer	**4,047**	2,507	2,762
Top 2 customers	**5,208**	4,604	4,197
Top 3 customers	**5,580**	5,032	4,873

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables at amortised cost shown above are subject to the ECL model under the financial reporting standard on financial instruments. Other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12-month expected credit losses because there has not been a significant increase in credit risk since initial recognition.

At each subsequent reporting date, an evaluation is made as to whether there is significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at reporting date (based on modified cash flows). Adjustment to loss allowance is made for any increase or decrease in credit risk.

Other receivables are normally with no fixed terms and therefore there is no maturity. Other receivables due from related companies are regarded to be of low credit risk if they are guaranteed by the parent or a related company with the ability to settle the amount. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

20. CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Not restricted in use	**34,535**	31,478	37,724	**13,058**	10,556	10,949
Cash pledged for bank facilities[(a)]	**–**	555	554	**–**	–	–
	34,535	32,033	38,278	**13,058**	10,556	10,949
Interest earning balances[(b)]	**27,303**	23,704	23,584	**11,167**	9,881	8,728

(a) This amount is pledged to the bank for bank facilities granted to a subsidiary.
(b) The rate of interest for cash on interest earning balances was between 0.004% and 2.80% (2017: 0.05% and 1.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

20. CASH AND CASH EQUIVALENTS (CONTINUED)

20A. Cash and cash equivalents in statement of cash flows

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Amount as shown above	**34,535**	32,033	38,278
Cash pledged for bank facilities	**–**	(555)	(554)
Cash and cash equivalents for statement of cash flows purposes at end of year	**34,535**	31,478	37,724

20B. Reconciliation of liabilities arising from financing activities

Movements of liabilities arising from financing activities are as follows:

	Bank loans $'000	Finance lease liabilities $'000	Total liabilities arising from financial activities $'000
Group			
At 1 January 2017	–	63	63
Cash flows	–	(40)	(40)
At 31 December 2017	–	23	23
Cash flows	1,374	(23)	1,351
At 31 December 2018	**1,374**	**–**	**1,374**

NOTES TO THE FINANCIAL STATEMENTS

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21. SHARE CAPITAL

	Company	
	Number of shares issued	**Share capital**
	'000	**$'000**
At 1 January 2017, 31 December 2017 and 31 December 2018	164,531	6,606

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income.

Capital management

In order to maintain its listing on the SGX-ST, the Company has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will automatically continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year.

Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

Management monitors the capital on the basis of the debt-to-adjusted capital ratio. However, there are no significant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

All reserves classified as retained earnings represent past accumulated earnings and are distributable. The other reserves are not available for cash dividends unless realised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

22. OTHER RESERVES

Group	Capital reserve(#) $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Total $'000
At 1 January 2017	5,230	23	1,724	6,977
Increase in fair value of available-for-sale assets (note 16)	–	24	–	24
Exchange difference on translation from functional currency to presentation currency	–	–	(3,165)	(3,165)
Share of other comprehensive income from equity-accounted joint ventures, net of tax	–	–	69	69
At 31 December 2017	5,230	47	(1,372)	3,905
Adoption of SFRS(I) 9 (note 16)	–	(47)	–	(47)
At 1 January 2018, as adjusted	5,230	–	(1,372)	3,858
Exchange difference on translation from functional currency to presentation currency	–	–	653	653
Share of other comprehensive income from equity-accounted joint ventures, net of tax	–	–	15	15
At 31 December 2018	**5,230**	**–**	**(704)**	**4,526**

(#) Capital reserve arose from the capitalisation of retained earnings by way of bonus issue of shares of subsidiaries to the Company. The capital reserve is not available for cash dividends.

Company	Fair value reserve $'000	Foreign currency translation reserve $'000	Total $'000
At 1 January 2017	23	1,157	1,180
Increase in fair value of available-for-sale assets (note 16)	24	–	24
Exchange difference on translation from functional currency to presentation currency	–	(2,392)	(2,392)
At 31 December 2017	47	(1,235)	(1,188)
Adoption of SFRS(I) 9 (note 16)	(47)	–	(47)
At 1 January 2018, as adjusted	–	(1,235)	(1,235)
Exchange difference on translation from functional currency to presentation currency	–	648	648
At 31 December 2018	**–**	**(587)**	**(587)**

NOTES TO THE FINANCIAL STATEMENTS

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23. FINANCE LEASES

Group 2018	Minimum payments $'000	Finance charges $'000	Present value $'000
Due within 1 year	–	–	–
Net book value of plant and equipment under finance leases			–
2017			
Due within 1 year	24	(1)	23
Net book value of plant and equipment under finance leases			187

There are leased assets under finance lease. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligation under finance lease is secured by the lessor's charge over the leased assets.

	31 December 2018	31 December 2017	1 January 2017
Average lease term in years	–	2	3
Average effective borrowing rate per annum	–	2.68%	2.84%

NOTES TO THE FINANCIAL STATEMENTS

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24. LOANS AND BORROWINGS

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Non-current liabilities			
Bank loans (secured) with floating interest rate	1,237	–	–
Current liabilities			
Bank loans (secured) with floating interest rate	137	–	–

The non-current portion is repayable as follows:

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Due within 2 to 5 years	747	–	–
After 5 years	490	–	–
	1,237	–	–

The floating rate interest rates paid were as follows:

	Group	
	2018 $'000	2017 $'000
Bank loans (secured)	2.77%	–

The loans were obtained to finance the costs of construction and redevelopment of the property at 18 Pioneer Sector 1. The loans are secured by mortgage on the leasehold property (see note 12) and are repayable by equal monthly instalment over seven years from the issuance of Temporary Occupation permit ("TOP") or 30 June 2019, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

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25. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade payables						
Outside parties and accrued liabilities	**7,495**	7,367	7,185	**655**	1,001	1,170
Other payables						
Subsidiaries	**–**	–	–	**1,975**	8,480	8,307
Deposits from customers	**659**	788	1,288	**–**	–	–
Other payables	**87**	529	292	**–**	–	–
	746	1,317	1,580	**1,975**	8,480	8,307
	8,241	8,684	8,765	**2,630**	9,481	9,477

26. CAPITAL COMMITMENTS

Estimated amounts committed at end of reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Commitments to purchase of property, plant and equipment	**5,908**	–	–

NOTES TO THE FINANCIAL STATEMENTS

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27. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At end of reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Not later than 1 year	**453**	471	482	**88**	115	104
Later than 1 year but not later than 5 years	**1,615**	1,690	1,774	**351**	372	417
Later than 5 years	**2,540**	3,110	3,815	**1,513**	1,720	2,008

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Rental expense for the year	**605**	519	**–**	–

Operating lease payments represent rentals payable for the land on which the factory properties of the Group are located, workers' dormitories and vehicles. The lease rental terms are negotiated for a term of 2 to 30 years and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

28A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at end of reporting year:

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Financial assets						
Financial assets at amortised cost	**45,159**	43,654	48,577	**18,019**	17,492	20,380
Financial assets at FVTPL	**4,971**	4,881	–	**4,971**	4,881	–
	50,130	48,535	48,577	**22,990**	22,373	20,380
Financial liabilities						
Financial liabilities at amortised cost	**8,956**	7,919	7,540	**2,630**	9,481	9,477

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the Group's operating, investing and financing activities. There is exposure to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However, these are not documented in formal written documents. The following guidelines are followed:

- All financial risk management activities are carried out and monitored by senior management staff; and

- All financial risk management activities are carried out following market practices.

There have been no changes to the exposures to risks, the objectives, policies and processes for managing the risks and the methods used to measure the risks.

28C. Fair value of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For ECL on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables.

On initial recognition, a day-one loss is recorded equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 20 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28E. Liquidity risk

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is approximately 30 to 90 days (2017: 30 to 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activities are expected to generate sufficient cash inflows.

The following table analyses non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000	Total $'000
31 December 2018				
Bank and borrowings	**137**	**747**	**490**	**1,374**
Trade and other payables(#)	**7,582**	**–**	**–**	**7,582**
	7,719	**747**	**490**	**8,956**
31 December 2017				
Gross finance lease obligations	23	–	–	23
Trade and other payables(#)	7,896	–	–	7,896
	7,919	–	–	7,919
1 January 2017				
Gross finance lease obligations	42	24	–	66
Trade and other payables(#)	7,477	–	–	7,477
	7,519	24	–	7,543

(#) Excludes deposits from customers

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28E. Liquidity risk (Continued)

Company	Less than 1 year $'000
31 December 2018	
Trade and other payables	**2,630**
31 December 2017	
Trade and other payables	9,481
1 January 2017	
Trade and other payables	9,477

The above are the contractual undiscounted cash flows and differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay. At end of reporting year, no claims on financial guarantees are expected.

28F. Interest rate risk

Interest rate risk exposure is mainly from changes in fixed interest rate and floating interest rates. The following table analyses the breakdown of the significant financial instruments by type of interest rates:

	Group			Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Financial assets with interest						
Fixed rate	**22,981**	17,827	13,125	**7,914**	6,273	3,842
Floating rate	**4,322**	5,877	10,565	**3,253**	3,609	4,992
	27,303	23,704	23,690	**11,167**	9,882	8,834
Financial liabilities with interest						
Fixed rate	**–**	23	63	**–**	–	–
Floating rate	**1,374**	–	–	**–**	–	–
	1,374	23	63	**–**	–	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28F. Interest rate risk (Continued)

	Group		
	31 December 2018 $'000	**31 December 2017 $'000**	**1 January 2017 $'000**
Financial assets (floating rate)			
A hypothetical variation in interest rates by 100 basis points with all other variables held constant would increase pre-tax profit for the year by	**43**	59	106
Financial liabilities (floating rate)			
A hypothetical variation in interest rates by 100 basis points with all other variables held constant would decrease pre-tax profit for the year by	**(14)**	–	–

The effect on pre-tax profit on a variation in interest rate of financial liabilities is not significant.

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on fixed interest rate financial instruments has been assessed in terms of changing of their fair value. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs).

28G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28G. Foreign currency risks (Continued)

Analysis of amounts held by the Group and the Company denominated in non-functional currencies is as follows:

Group 31 December 2018	USD $'000	SGD $'000	Others $'000	Total $'000
Financial assets				
Cash and cash equivalents	**431**	**3,620**	**3**	**4,054**
Trade and other receivables	**180**	**1,019**	**–**	**1,199**
Total financial assets	**611**	**4,639**	**3**	**5,253**
Financial liabilities				
Trade and other payables	**–**	**(1,798)**	**(70)**	**(1,868)**
Loans and borrowings	**–**	**(1,374)**	**–**	**(1,374)**
Total financial liabilities	**–**	**(3,172)**	**(70)**	**(3,242)**
Net financial assets/(liabilities) at end of year	**611**	**1,467**	**(67)**	**2,011**
31 December 2017				
Financial assets				
Cash and cash equivalents	391	5,110	3	5,504
Trade and other receivables	140	1,169	–	1,309
Total financial assets	531	6,279	3	6,813
Financial liabilities				
Trade and other payables	(81)	(1,927)	–	(2,008)
Total financial liabilities	(81)	(1,927)	–	(2,008)
Net financial assets at end of year	450	4,352	3	4,805
1 January 2017				
Financial assets				
Cash and cash equivalents	724	8,766	22	9,512
Trade and other receivables	148	1,218	–	1,366
Total financial assets	872	9,984	22	10,878
Financial liabilities				
Trade and other payables	(28)	(890)	(52)	(970)
Total financial liabilities	(28)	(890)	(52)	(970)
Net financial assets/(liabilities) at end of year	844	9,094	(30)	9,908

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28G. Foreign currency risks (Continued)

Company 31 December 2018	SGD $'000	Others $'000	Total $'000
Financial assets			
Cash and cash equivalents	**2,788**	**–**	**2,788**
Trade and other receivables	**4,112**	**–**	**4,112**
Total financial assets	**6,900**	**–**	**6,900**
Financial liabilities			
Trade and other payables	**(555)**	**–**	**(555)**
Total financial liabilities	**(555)**	**–**	**(555)**
Net financial assets at end of year	**6,345**	**–**	**6,345**
31 December 2017			
Financial assets			
Cash and cash equivalents	3,962	–	3,962
Trade and other receivables	4,508	–	4,508
Total financial assets	8,470	–	8,470
Financial liabilities			
Trade and other payables	(904)	–	(904)
Total financial liabilities	(904)	–	(904)
Net financial assets at end of year	7,566	–	7,566
1 January 2017			
Financial assets			
Cash and cash equivalents	4,280	12	4,292
Trade and other receivables	6,827	–	6,827
Total financial assets	11,107	12	11,119
Financial liabilities			
Trade and other payables	(1,049)	–	(1,049)
Total financial liabilities	(1,049)	–	(1,049)
Net financial assets at end of year	10,058	12	10,070

There is exposure to foreign currency risk as part of the Group's normal business.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28G. Foreign currency risks (Continued)

Sensitivity analysis for significant items

	Group		Company	
	2018	**2017**	**2018**	**2017**
	'000	**$'000**	**'000**	**$'000**
A hypothetical 10% depreciation in exchange rate of functional currency against USD would have a favourable effect on profit before tax of	**61**	45	**–**	–
A hypothetical 10% depreciation in exchange rate of functional currency against SGD would have a favourable effect on profit before tax of	**147**	435	**635**	757

The above table shows sensitivity to a hypothetical 10% variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar weakening of the functional currency against the relevant foreign currencies, there would be comparable impacts in the opposite direction.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the Group has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in the future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

28H. Equity price risk

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the equity shares. The fair value of these equity shares and sensitivity analysis are disclosed in note 16.

29. ITEMS IN PROFIT OR LOSS

In addition to profit or loss line items disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2018	**2017**
	$'000	**$'000**
Audit fees to independent auditor of the Company	**140**	140
Other fees to independent auditor of the Company	**29**	28
Audit fees to other independent auditors	**1**	6
Other fees to other independent auditors	**16**	8

30. SUBSEQUENT EVENTS

On 26 February 2019, the directors proposed a final dividend of S$0.50 cents per share, amounting to $823,000 in total. This dividend is subject to approval by shareholders at the forthcoming annual general meeting and has not been included as liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at end of reporting year and any new qualifying shares issued up to the date the dividend becomes payable. There are no income tax consequences of the dividends to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

31. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS(I) No.	Title
SFRS(I) 1-28	Amendments to Investments in Associates and Joint Venture – Sale or Contribution of Assets
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers Amendments and Clarifications to SFRS(I) 15 *Revenue from Contracts with Customers*
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

32. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the entity's financial statements in the period of initial application.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-28	Amendments: Long-Term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 16	Leases (and Leases – Illustrative Examples and Amendments to Guidance on Other Standards)	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 January 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 January 2019
SFRS(I) 10 and SFRS(I) 1-28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not fixed yet

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

32. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

Leases

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases.

For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements.

For the lessee, almost all leases will be brought onto the statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

For the Company's non-cancellable operating lease commitments as at 31 December 2018 set out in note 27, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the Company will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements.

On the adoption of the new financial reporting standard on leases, the Group expects to recognise right-of-use assets and corresponding lease liabilities of $3,541,000 for its leases previously classified as operating leases as of 1 January 2019.

INFORMATION ON SHAREHOLDINGS

AS AT 21 MARCH 2019

Issued and fully paid share capital	: SGD 6,605,611.78
Number of shares	: 164,531,172
Class of shares	: Ordinary shares
Voting rights	: One vote per share

Distribution of shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	29	1.98	1,053	0.00
100 – 1,000	134	9.17	68,282	0.04
1,001 – 10,000	485	33.17	2,992,970	1.82
10,001 – 1,000,000	801	54.79	43,750,868	26.59
1,000,001 and above	13	0.89	117,717,999	71.55
Total:	**1,462**	**100.00**	**164,531,172**	**100.00**

Shareholding held by the public

Based on the information available to the Company as at 21 March 2019, approximately 41% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial shareholders

Name of shareholders	Direct interest		Deemed interest	
	No. of shares	% of shares	No. of shares	% of shares
Dr Ho Leng Woon[1]	61,406,250	37.32	17,531,250	10.66
Mdm Lau Woon Chan[1]	17,531,250	10.66	61,406,250	37.32
Mr Ho Chee Hon	11,468,937	6.97	–	–

Note:–

1) Dr Ho Leng Woon is the husband of Mdm Lau Woon Chan. They are deemed to be interested in the shares held by each other.

INFORMATION ON SHAREHOLDINGS

AS AT 21 MARCH 2019

AP OIL INTERNATIONAL LIMITED

Twenty Largest Shareholders as at 21 March 2019

	Name of Shareholder	No. of Shares	% of Shareholdings
1	HO LENG WOON	61,406,250	37.32
2	LAU WOON CHAN	17,531,250	10.66
3	HO CHEE HON	11,468,937	6.97
4	DBS NOMINEES PTE LTD	4,070,225	2.47
5	UOB KAY HIAN PTE LTD	3,853,600	2.34
6	RAFFLES NOMINEES (PTE) LIMITED	3,385,800	2.06
7	NEO BENG BENG	3,111,000	1.89
8	LAU TONG HONG	3,037,500	1.85
9	HO AYE ENG	2,585,375	1.57
10	ONG LAY CHOO	2,087,000	1.27
11	PHILLIP SECURITIES PTE LTD	1,878,862	1.14
12	ABN AMRO CLEARING BANK N.V.	1,770,400	1.08
13	HAN SEE KWANG	1,531,800	0.93
14	CHEE KWAI FUN	1,000,000	0.61
15	HAN CHOON SIANG	862,000	0.52
16	NG ZHENG XIONG	819,000	0.50
17	WONG MAN ON	804,000	0.49
18	LEE CHUE CHYE, LIONEL	800,000	0.49
19	ONG KIAN KOK	800,000	0.49
20	CHOO YUIN TIEN	715,312	0.43
	TOTAL	**123,518,311**	**75.07**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of the members of the Company will be held on Friday, 26 April 2019 at 333 Boon Lay Way, Jurong Safra, Singapore 649848 at 3.00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions:–

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Statements and Audited Financial Statements of the Company for the year ended 31 December 2018 and the Auditors' Report thereon. Resolution 1

2. To declare a final exempt (one-tier) dividend of S$0.50 cents per ordinary share for the year ended 31 December 2018. Resolution 2

3. To re-elect the following director retiring pursuant to the Company's Constitution and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"): Resolution 3

   Mdm Lau Woon Chan

4. To re-elect the following director retiring pursuant to the Company's Constitution and the SGX-ST: Resolution 4

   Dr Ho Leng Woon

5. To approve the Directors' Fees of S$90,000 for the year ending 31 December 2019, payable half-yearly in arrears. Resolution 5

6. To re-appoint Messrs RSM Chio Lim LLP as the Auditors for the ensuring year and to authorise the Directors to fix their remuneration. Resolution 6

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolution as Ordinary Resolution, with or without amendments:

7. **Proposed Share Issue Mandate** Resolution 7

   "That pursuant to Section 161 of the Companies Act, Cap. 50. and the Listing Manual of the SGX-ST, the Directors of the Company be authorized and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier.

See Explanatory Note (i)

8. And to transact any other business which may be properly transacted at an Annual General Meeting.

Explanatory Note:

(i) The proposed Resolution 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 10% may be issued other than on a pro-rata basis to shareholders.

BY ORDER OF THE BOARD

LAU TAI CHONG
Company Secretary

Date: 5 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

a) A member entitled to attend and vote at a general meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

b) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at a general meeting. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 30 Gul Crescent Jurong Singapore 629535 not less than 48 hours before the meeting.

d) A proxy need not be a member of the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SUSTAINABILITY REPORT

CONTENTS

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This is AP Oil International Limited's ("AP Oil" or "Group") Sustainability Report, to present our Environmental, Social and Governance (ESG) performance for the period 1 January 2016 to 31 December 2018.

This report covers AP Oil's ESG performance for business operations in Singapore and excludes overseas subsidiaries. Sustainability data included in the report are for three major subsidiaries namely AP Oil Pte Ltd, A.I.M. Chemical Industries Pte Ltd, and GB Chemicals Pte Ltd ("Major Subsidiaries"). These three companies contribute largely to the Group's turnover operations and profitability.

Reporting Framework

This report has been prepared in accordance with the GRI standards: Core option. GRI is the most widely used framework for sustainability reporting worldwide. The report complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. The report includes a GRI Index to indicate the location of the relevant disclosures.

We have used the GHG Protocol Corporate Accounting and Reporting Standard for measuring and reporting AP Oil's carbon emissions.

Reporting Process

The Board is responsible for providing direction to the Management in developing a sustainability strategy and report. The Board determines the ESG factors and disclosure in the Sustainability Report.

The Board is assisted by the Sustainability Committee ("Committee"), headed by the Group Chief Executive Officer and includes senior executives from AP Oil and Major Subsidiaries. The Committee is responsible for report content, scope and boundary for sustainability reporting and issues noted.

The Major Subsidiaries have collected, verified and provided the ESG performance data for the sustainability report.

Report Content and Quality

The report content includes the materiality assessment of the ESG factors and the stakeholders' expectations. Potential ESG risks, opportunities and general sustainability trends have been taken into account.

We have applied the principles of accuracy, clarity, comparability, reliability and timeliness to ensure report quality.

Data contained in the report have been extracted mainly from internal systems and records to ensure accuracy and consistency. Commonly used international measurement units have been used for presenting the information. Financial figures are in Singapore dollars.

Restatement

This is our second year of Sustainability Reporting.

We have revised the 2016 and 2017 electricity (kWh) and water consumption (m^3) to correct inclusion of non-Major Subsidiaries data and update the change in ISO reporting criteria (effective from 1 January 2018), respectively. In addition, unit of measure and 2016 and 2017 data for wastewater have been corrected to m^3.

All the above restatements have been adjusted in 2018 Sustainability Report.

SUSTAINABILITY REPORT

Assurance

We have not obtained external assurance for this Sustainability Report. Internal verification mechanism was used to ensure the accuracy of reported information. Our ESG performance data is reported in good faith and to the best of our knowledge.

Feedback

We welcome stakeholders' comment and question regarding the content of this report.

ESG PERFORMANCE			
MATERIAL ESG FACTORS	**2016**	**2017**	**2018**
ENVIRONMENTAL			
CO_2 emissions (t)	410	357	**343**
Electricity used (kWh)	571,698	475,426	**485,483**
Water consumption (m^3)	22,945	12,841	**11,940**
Wastewater (m^3)	3,135	11,000	**9,000**
Hazardous waste (kg)	297,886	127,042	**100,542**
SOCIAL			
Employees			
Permanent employee	117	110	**109**
New hire	18	26	**23**
Female employees (%)	30	32	**33**
Female manager and supervisor (%)	26	31	**31**
Female Heads of Department (HODs) (%)	40	40	**33**
Training expenditure per employee ($)	145	73	**151**
Employee turnover rate (%)	21	28	**19**
Fatal accident	zero	zero	**zero**
FINANCIAL ($'000)			
Revenue	79,140	91,954	**78,378**
Profit net of tax	3,334	2,402	**2,006**
Employee wages and benefits	7,305	7,331	**6,563**
Dividends to shareholders	2,057	823	**823**

Notes:

1. Environmental and social performance data relates to the Major Subsidiaries; and Financial data are for AP Oil International Limited and its subsidiaries.
2. Wastewater data refers to GB Chemicals; and hazardous waste data refers to all Subsidiaries.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

We consider ongoing stakeholder engagement an important activity to develop effective management strategies and pursue sustainable business practices.

Our approach to stakeholder engagement is to ensure that we have a good understanding of the key stakeholder concerns and expectation to develop practical business and sustainability strategies. We identify and prioritize based on the potential impact of our business on stakeholders or potential to affect our business through their views and action.

Our ongoing interactions and engagements with our customers, employees, regulators, suppliers, investors and communities provide necessary insights to our materiality assessment in determining the most material ESG factors for sustainability reporting. We have attempted to address our stakeholders' expectations and concerns by including relevant material topics and disclosures throughout this Sustainability Report.

A summary of our stakeholder engagement across the Major Subsidiaries is appended:

Stakeholders	Engagement methods	Key topics and concerns	How we meet expectations
Customers	Regular meetings and visits, marketing activities, website, purchase agreements and ongoing telecommunication.	Provide high-quality products and reliable services, competitive prices, on-time deliveries, compliant products, and protection of intellectual properties.	Proactive customer service policies, stringent quality control processes, ensuring relevant international product certifications, compliance with applicable regulations, and securing necessary certifications from Original Equipment Manufacturers (OEMs).
Employees	Regular team meetings, training workshops, Standard Operating Procedures (SOPs), performance appraisals, emails and company events.	Stable employment, safe and conducive work environment, rewards and recognition for performance, personal development, and employment benefits.	Fair and transparent human resource policies, regular training, performance indicator incentives, performance appraisal and rewards.
Suppliers and vendors	Regular meetings and visits, audits, request for quotation and purchase orders.	Fair payment terms, reasonable lead time, reasonable price and business growth.	Provide clear specification, prompt payment as per contracts and offer fair payment term.

SUSTAINABILITY REPORT

Stakeholders	Engagement methods	Key topics and concerns	How we meet expectations
Government and regulators	Newsletter, notification, email, website, licensing and permits. Regular discussion with relevant agency, meeting with auditor/inspector, email, telecommunication and Sustainability Report.	Regulatory compliance with environmental, safety and health regulation, employment law and other applicable law. Cooperation during audit, inspection and when information is sought.	Implementing policy and procedure to comply with regulation and keeping updated with latest regulation.
Community	Community initiative, website and Sustainability Report.	Be a responsible company, good corporate citizen and offer employment opportunities.	Ensuring safe manufacturing and distribution operation, and ISO 14001:2015 certification for environmental protection and OHSAS 18001:2007 certification for health and safety.
Shareholders and investors	Annual General Meeting, Board meeting, Annual Report and update on website.	Corporate governance, timely communication and update, financial performance, profit and dividend.	Good corporate governance, competent management team, annual reports, timely update and disclosure through the Singapore Exchange.

Membership of Associations

We actively engage and network with various trade associations through memberships.

Some of our important memberships by our Group companies include the following:

- Singapore Business Federation
- Asian Lubricant Manufacturers Union (ALMU)
- Food & Beverage Management Association
- Restaurant Association of Singapore
- Singapore Chef's Association
- Association of Catering Professionals Singapore

SUSTAINABILITY REPORT

SUSTAINABILITY STRATEGY

Our sustainability strategy is to create value for society including our customers, employees, the environment, communities and shareholders.

Our approach is rooted in AP Oil's corporate culture that promotes diligence, sincerity, loyalty and harmony. As the leading lubricants and speciality chemicals manufacturer and supplier, we have adopted international standards in the environmental, occupational health and safety, and product quality management. Our facilities have obtained ISO 14000 and OHSAS 18000 certification that reflect commitment to protecting the environment and ensuring health and safety of our people.

We conducted a comprehensive review of our sustainability approach. We carried out a materiality assessment to reassess the environmental, social and economic impact, risks and opportunities in 2017. A materiality assessment workshop facilitated by an external sustainability consultant was attended by senior representatives from AP Oil and the Major Subsidiaries. The teams focused on the significant impact of respective business on the economy, environment and communities and how these impact stakeholders' views on the companies.

To establish sustainability priorities, the teams considered the AP Oil corporate values and long-term business goals. The teams then identified and prioritized the most important topics based on their potential impact, risks and opportunities and the potential effect on the stakeholders.

Board Statement

AP Oil is committed to carry out its business activities in a socially and environmentally responsible manner. The Group is committed to deliver world-class quality products and services to meet customers' ever-changing requirements.

The Board considered sustainability issues in strategy formulation. The Board has determined and endorsed the material ESG factors included in this report. The Board also provides oversight of the Management; and monitoring of the material ESG factors, identified by the Committee, through periodic review of the sustainability performance.

SUSTAINABILITY REPORT

Material ESG Factors

A summary of the material ESG factors occurring in the Major Subsidiaries and the extent of involvement is presented below.

Material ESG Topics	Group Involvement
ENVIRONMENT	
Energy	Direct
CO_2 Emissions	Direct
Waste	Direct
Water	Direct
Wastewater	Direct
Environmental Compliance	Direct
PEOPLE	
Employment	Direct
Attracting and Retaining Talent	Direct
Diversity	Direct
Employee Training and Development	Direct
Occupational Health and Safety	Direct
CUSTOMERS	
Customer Health and Product Safety	Direct
Marketing and Labelling	Direct
COMMUNITY	
Local Communities	Direct
ECONOMIC PERFORMANCE	
Economic Performance	Direct & Indirect
Anti-corruption	Direct
Socio-economic Compliance	Direct

ESG Goals and Targets

With this Sustainability Report, we have mapped out the ESG performance data for the past three (3) years of 2016 to 2018. Our broad goal is to minimize the potential risk and impact of our business on the environment, people and communities. We have presented our sustainability goals in this report.

SUSTAINABILITY REPORT

Management Systems

We benchmark our sustainability management practices against international standards. Our commitment to quality, health and safety and environmental management is reflected in the certification received by the Group. Some of the more important certification includes:

- ISO 9001:2015
- ISO 14001:2015
- OHSAS 18001:2007
- bizSAFE Level Star

Sustainability Governance

Sustainability is governed at the Board level of AP Oil. The Board guides the management on addressing critical environmental, social and governance issues.

The Board is assisted by the Sustainability Committee, which is headed by the Group Chief Executive Officer. The Committee includes representatives from the main business units and functions. A cross-functional team has the responsibility of collecting and verifying performance data for the material ESG factors. A project coordinator assists the Group Chief Executive Officer in steering the Sustainability Report process.

ENVIRONMENT

Our approach is to minimize the potential environmental impact, risks and hazards associated with our operations.

As a leading lubricant and speciality chemicals business, we recognize environmental management and resources conservation as integral to our business. Our environmental policy is to ensure continual improvement in managing significant impact and to meet all environmental legislation that relate to the company.

Our facilities are certified to the ISO 14001 Standards, providing a sound basis to build our environmental efforts. We are committed to demonstrating our continual improvement by reducing resources consumption, ecological risks and wastages.

Our periodic environmental review aims to identify material aspects, associated environmental impact, risks, hazards and opportunities with regard to the related operations. The process includes a comprehensive risk assessment covering air pollution and emission, water contamination, hazardous and non-hazardous wastes, resource depletion, noise and odor, and potential hazards.

Our environmental efforts focus on energy, pollution and emissions, water, waste, chemical and oil spills, and paper. Based on the systematic review, we establish goals and targets for the most material environmental topics.

We regularly review our environmental performance to assess the effectiveness of our policies and programmes. The environmental data presented in this report refers to the Singapore-based facilities belonging to the Major Subsidiaries.

SUSTAINABILITY REPORT

Energy

We use electricity for lighting and operating plant equipment and fuel in our vehicles and forklifts. Our policy is to minimize energy consumption and to reduce our impact on the environment whilst striving to achieve operational cost efficiency.

When procuring, we consider the energy efficiency of equipment at the time of purchase. This focus transends throughout the business to the micro level of using energy efficient light bulbs to minimize consumption.

Through ongoing awareness programmes, we encourage our employees to adopt energy conservation habits. The habits that we promote include turning off the equipment when not in use, regular maintenance of the machine, switching off lights before leaving meeting rooms and other work areas, setting the airconditioning temperature to a comfortable 23-25 degree Celsius, and keeping the doors and windows of airconditioned rooms closed at all times.

We monitor our energy usage to identify opportunities for reduction.

Greenhouse Gas (GHG) Emissions

We support the Paris Agreement to mobilise global effort for limiting the temperature rise to below 2°C from pre-industrial levels to mitigate the risks of climate change. We are committed to reducing the carbon footprint of our business activities.

The GHG emissions resulting from our operations can be attributed mainly to the use of electricity, diesel and petrol consumption. Our policy is to optimize the use of these energy sources to reduce our carbon footprint. We currently measure and monitor our carbon dioxide emissions under scope-1 and scope-2 as set out in the GHG Protocol.

Our carbon emissions footprint is presented below.

Carbon Dioxide (CO_2) Emissions			
	2016	**2017**	**2018**
Mobile	80	76	86
Stationary	64	61	52
Scope-1	144	137	**138**
Purchased Electricity	266	220	205
Scope-2	266	220	**205**
Total	410	357	**343**

SUSTAINABILITY REPORT

Water

We use water for cleaning the vessels and general washing. Our approach is to conserve water by minimizing the use and recycling or reusing when practical.

In Singapore, we buy water from the Public Utilities Board (PUB), the national agency responsible for ensuring a sustainable and efficient water supply.

We have implemented several water conservation measures. These measures include water-saving devices, recycling water in cooling systems, and minimizing use of water in washing. We ensure water pipes and valves are adequately maintained, and leaks are promptly repaired.

We have also implemented necessary measures to prevent accidental contamination of water due to unintentional chemical and oil spills.

We measure and monitor our water usage to assess our performance together with other environmental metrics.

Wastewater

Wastewater is generated in our chemicals manufacturing facilities as a result of washing or cleaning of vessels. We dispose of wastewater through licensed contractors in accordance with the local regulations.

Waste Management

Our policy is to reduce, reuse and recycle waste to minimize the impact on the environment as well as to improve our resource efficiency.

Waste generated in our facilities includes both hazardous and non-hazardous waste. The primary sources of hazardous waste from our operations include chemical waste such as cleaning solvents, additives, lubricants, oils, greases and paints, contaminated cleaning wipes, chemical containers, steel drums, plastic containers, batteries from forklift trucks, wooden pallets, carton boxes and packaging material, and general office waste.

To reduce waste, we focus on minimizing wastage of production raw materials by ensuring that the final product specifications are correct.

We have implemented procedures for segregating waste by source of generation and by type. We store waste in designated and clearly marked areas. All hazardous waste is appropriately sealed or enclosed to prevent accidental spillage or contamination. We ensure safe disposal of waste by engaging licensed waste management contractors.

We recycle and reuse steel drums and plastic containers. Rejected drums and containers are returned to respective vendors for recycling or safe disposal. Wooden pallets are reused in our facilities for as long as they are serviceable and after which they are disposed of as general waste. Waste carton boxes are reused for packaging or sent for recycling by contractors.

SUSTAINABILITY REPORT

Chemical Spill

Handling of chemicals and oils involves a risk of spill that may cause water contamination and hazardous waste. Our target is zero spill to land or drainage by taking preventive measures and ensuring emergency preparedness.

We placed dispersants and spill control kits at designated points to manage accidental spills. The production and engineering department responsibilities to ensure spill kits are always ready and accessible. We have implemented yearly chemical and oil spill drill are to educate our people in responding quickly and safely in the event of a spill and to minimize the damage to the environmental. There were no incident of a significant spill in the reported period.

Employee Awareness

We believe employees can play a crucial role in preventing and managing environmental risks. We have an ongoing employee education program to promote environmental awareness. The production and engineering departments periodically review work instructions and methods to minimize hazards.

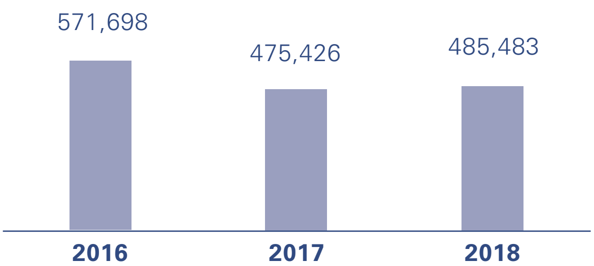
Environmental Compliance

The Group is committed to complying with applicable environmental regulations as well as international standards which we subscribe. Our target is to have zero incidents of non-compliance. Our production and engineering departments have implemented a comprehensive environmental control programme and regularly inspected the sites for potential pollution or impacts.

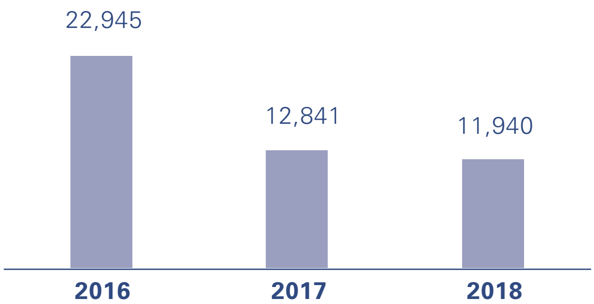
There were no incidents of non-compliance with environmental laws in the reported period.

Environmental Performance

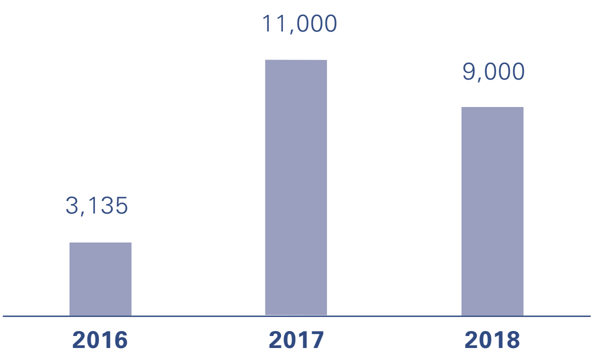
Electricity Use (kWh)



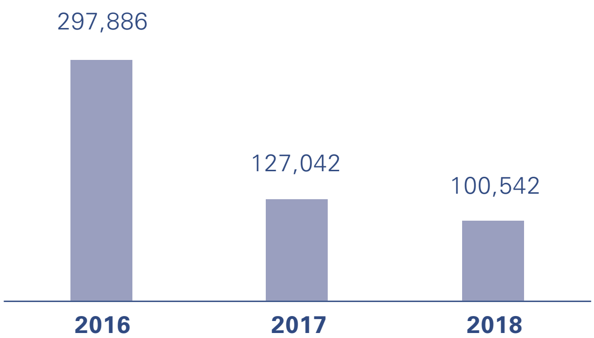
Water Use (m³)



Wastewater (m³)



Hazardous Waste (kg)



SUSTAINABILITY REPORT

PEOPLE

We are committed to developing human capital by attracting and retaining passionate talents and building a culture of learning, diligence, sincerity, harmony and teamwork.

Our people play a crucial role in building our ability to deliver world-class products and services to our customers. Our policies are designed to attract, retain and develop passionate and talented people.

Diligence, devotion, loyalty, harmony and teamwork are parts our corporate values. These values have enabled AP Oil to overcome challenges and grow in the past decades, emerging as one of the leading lubricant and specialty chemical specialists in the Asia Pacific.

Our most significant workplace topics include occupational health and safety, diversity, employee development, performance management and well-being of our employees. We regularly review the effectiveness of our human resource policies.

The employee data provided in this report covers the Singapore operations of AP Oil, A.I.M. Chemical, and GB Chemicals.

Employment

As at 31 December 2018, we have employed 109 people in Singapore as against 110 in the prior year. Production, clerical and other non-executive jobs accounted for 43 per cent of our workforce.

Diversity

We believe workplace diversity enriches our decision-making and enable us to serve diverse markets and customers more effectively. We seek to build and promote a diverse and professional talent pool. Our human resource policies support an equal opportunity for all based on merit. Our workforce includes different nationalities to make it culturally diverse.

In 2018, women represented 33 per cent of our workforce even though it’s challenging to attract women employees to work in chemicals manufacturing operation. Women held 22 per cent of supervisory and managerial jobs, and 33 per cent of the Head of Department level position.

Hiring

Our policy is to hire on merit and qualification. In 2018, we hired 23 new employees, of which 4 were women; 39 per cent were below the 30 years age group; 57 per cent in the 30 to 50 years age group and the balance of 4 per cent were above 50 years of age.

Training

Our policy is to encourage ongoing training to ensure our employees have the required skills to serve our customers efficiently. We provide both in-house and external training opportunities to our employees. In 2018, training expenditure per employee was higher than previous year at $151, with mandatory refresher programme.

SUSTAINABILITY REPORT

Employee Engagement & Benefits

We follow open door policy whereby employees have access to Management to discuss their concerns and ideas. We actively engage our people through their participation in the environmental health and safety (EHS) committee and ongoing safety briefing sessions and environmental awareness campaigns. Employees are also engaged through conventional means of communication such as internal memos, notice boards and emails. Our permanent staff members enjoy an array of benefits and competitive wages.

Performance Management

We drive performance by promoting teamwork, encouraging open communication, and providing regular feedback. We periodically assess the performance and skills of our employees to ensure suitable rewards, promotions and personal development.

We have implemented a performance management system across the Group that covers all permanent employees. Employees participate in performance appraisals to assess and discuss their performance.

Employee Turnover

Our policies are aimed at retaining talent. Our retention strategies include competitive benefits, attractive rewards for performance, opportunities for learning and growth and providing a respectful working environment.

In 2018, the employee turnover was 19%, lower than 28% in 2017.

2018 employee departure at the Major Subsidiaries were:

Subsidiaries	Employee Departure			
	2018	2018	2017	2017
	Male	Female	Male	Female
AP Oil Pte Ltd	**16**	**2**	12	5
A.I.M. Chemical Industries Pte Ltd	**0**	**0**	10	1
GB Chemicals Pte Ltd	**2**	**0**	3	0

Health and Safety

Employee safety is a top priority for us. We are committed to providing a healthy and safe workplace for our people. Our occupational health and safety policy is to minimize the health and safety risks arising from our workplace. Our goal is zero injury in the workplace.

Our facilities maintain OHSAS 18001 certification reflecting our commitment to international standards of occupational health and safety. We have maintained BizSafe Star certification from the Workplace Safety and Health Council, Singapore. The senior management reviews our health and safety performance on a monthly basis.

Our Group has established Workplace Safety and Health (WSH) Committee in each Major Subsidiary, chaired by the respective managing director or chief executive officer, with representatives from various functions. The Committee meet regularly to review safety performance and develop improvement plans.

SUSTAINABILITY REPORT

From the comprehensive safety risk assessment, we have implemented measures to prevent injuries and accidents. Routine maintenance of machineries and equipment is an essential part of our safety management.

Our employees receive ongoing safety training and briefings. Employees in the production area are required to use appropriate personal protective equipment when carrying out various tasks.

We are working toward improving worksite design and removing risk factors that lead to musculoskeletal injuries and allowing for improved human performance and productivity.

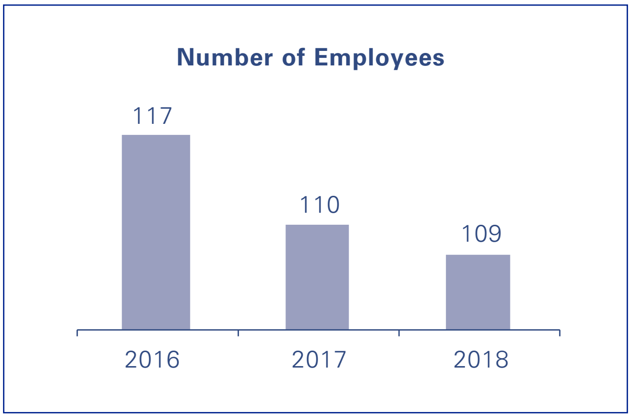
There were no fatal accidents in the reported period. There were no reportable incidents of occupational disease in 2018.

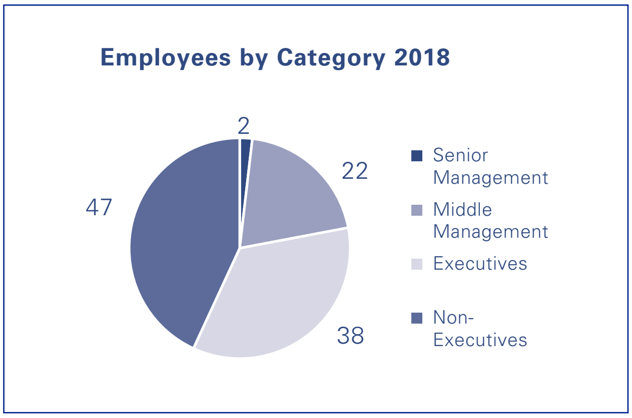
Human Rights

We are committed to respect the rights of our people as provided for in the national laws and internationally recognized principles. Our policies prohibit child labor, forced labor and discrimination. We respect right to freedom of association and collective bargaining. We do not have the collective bargaining agreement with a union.

There were no confirmed incidents of child labor, forced labor or discrimination in the reported period.

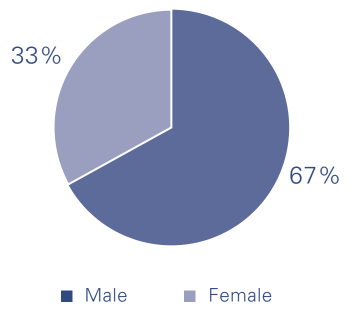
People Performance



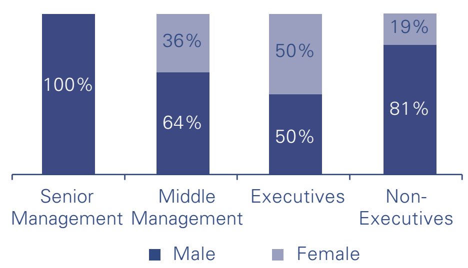


SUSTAINABILITY REPORT

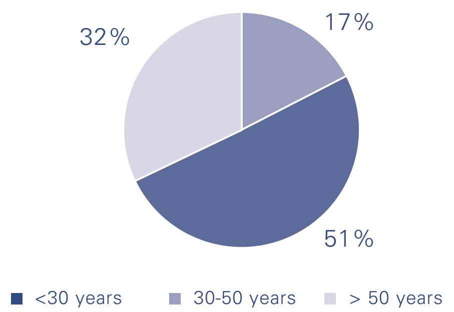
Gender Diversity 2018



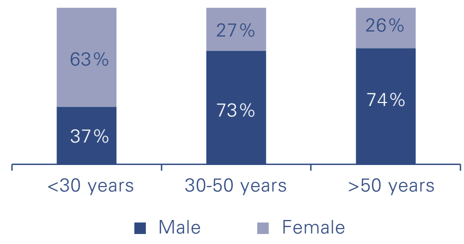
Gender by Employee Category (%) 2018



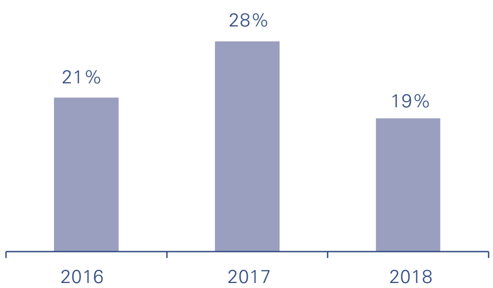
Age Diversity 2018



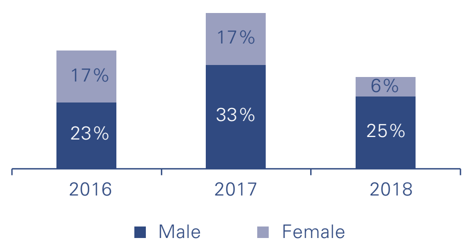
Age and Gender Diversity 2018 (%)



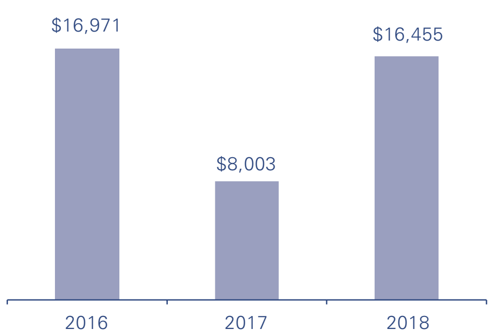
Annual Employee Turnover (%)



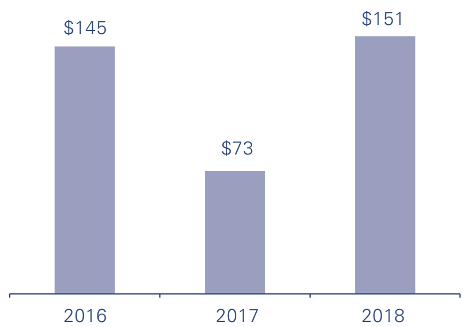
Employee Turnover by Gender (%)



Training Expenditure (S$)



Training Expenditure per Employee (S$)



SUSTAINABILITY REPORT

CUSTOMERS

We are committed to providing products and services of world-class quality to our customers.

As a leading lubricants and specialty chemicals supplier in the Asia Pacific, we focus on strict quality management to meet and even exceed customers' expectations. Our organization is certified to ISO 9001 standards to ensure consistent quality of our management processes.

There is a global trend of growing concerns on the safe use of chemicals and the potential impact of chemicals on health and safety of people and the environment in manufacturing and transportation. Ensuring product safety, the safety of our people and communities, and protecting the environment are top priorities of AP Oil.

Our facilities are also certified to the ISO 14001 and the OHSAS 18001 to assure customers that our products are made in an environmentally responsible manner adhered to international safety standards. We adopt an integrated approach to quality, safety and environmental assurance to all our products and services to ensure consistency in our performance.

Our AP products are formulated and quality controlled to meet standards and specifications of international institutions such as API, SAE, ISO, NLGI, DIN, JASO, ACEA, ASTM and NMMA.

We also obtained certification from major original equipment manufacturers (OEM), including Daimler Chrysler, Porsche, Volkswagen, GM, MB, MACK, MAN, VOITH and CUMMINS.

Our laboratories are well equipped with advanced equipment capable of providing comprehensive technical assurances and services.

We regularly engage our customers through formal and informal methods to seek their feedback to improve our customer service.

On request, we can provide MSDS, name, manufacturer, batch code and product specifications for the products sold to the customers. Bulk of our products are classified as non-dangerous goods. For assurance of product quality, we are ISO 9001:2015 certified.

There were no incidents of non-compliance concerning the health and safety of our products in FY 2018.

Research and Development

We invest in research to develop innovative solutions for customers and to provide superior quality products. We have four laboratories; three in Singapore and one in Vietnam, for R&D and quality assurance. Two of our laboratories are equipped with Inductively Coupled Plasma Atomic Emission Spectrometers (ICP-AES) for the analysis of metal elements to enhance research and development capabilities.

Our R&D team comprising qualified chemists and engineers focus on upgrading the quality of existing products, and formulate new products to meet the ever-evolving market demands.

SUSTAINABILITY REPORT

R&D activities concentrate on developing customised lubricants for specific customer needs and improving the operational efficiency and cost-effectiveness. Product innovation and upgrading in specialty chemicals are the other areas of our applied research.

Our marketing and technical service teams work closely with customers to identify areas of improvement. The insights gained from customer engagement help our R&D team to improve or design and formulate new products to meet customers' unique requirements.

Suppliers

We work closely with our suppliers to ensure quality and timely delivery. Our significant purchases mainly include raw materials and packaging materials.

COMMUNITY

AP Oil is committed to be a responsible corporate citizen by minimizing the impact of our business operations on the community and the environment. We ensure our manufacturing plants adhere to strict environmental health and safety standards to protect our employees and the neighboring communities.

ECONOMIC PERFORMANCE

We are committed to creating long-term sustainable value for our shareholders and stakeholders.

Our detailed financial performance is provided in the Annual Report under the financial statements. A summary of our economic performance, extracted from our financial statements, is provided below in line with the GRI Standards.

ECONOMIC PERFORMANCE INDICATORS ($'000)			
	FY2016	**FY2017**	**FY2018**
Revenue	79,140	91,954	78,378
Profit after tax	3,334	2,402	2,006
Total expenses (including staff costs)			
Employee benefits	7,305	7,331	6,563
Income tax expense	456	302	79
Dividends declared	2,057	823	823

Note:

1. Economic performance indicators are for AP Oil International Limited and its subsidiaries.

Anti-Corruption

We are committed to conducting our business by adhering to the highest standards of ethics and integrity and in compliance with applicable laws. We have a zero-tolerance policy toward corruption or bribery. Our policy prohibits offering or receiving any bribes in any form.

There were no incidents of corruption or bribery involving our Group in the reported period.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number(s) and/or URL(s)**
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI102: General Disclosures 2016	**Organisational Profile**	
	102-1 Name of the organisation	AP Oil International Limited
	102-2 Activities, brands, products, and services	1, 15-16
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	Back Cover
	102-5 Ownership and legal form	114-115
	102-6 Markets served	1
	102-7 Scale of the organisation	121
	102-8 Information on employees and other workers	131-134
	102-9 Supply chain	136
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary principle or approach	121, 127
	102-12 External initiatives	123-124
	102-13 Membership of associations	124
	Strategy	
	102-14 Statement from senior decision-maker	123-125
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	102-42 Identifying and selecting stakeholders	123-124
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	102-44 Key topics and concerns raised	123-124
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	102-45 Entities included in the consolidated financial statements	86, 88
	102-46 Defining report content and topic Boundaries	121
	102-47 List of material topics	126
	102-48 Restatements of information	121
	102-49 Changes in reporting	121
	102-50 Reporting period	121
	102-51 Date of most recent report	5 April 2018
	102-52 Reporting cycle	121
	102-53 Contact point for questions regarding the report	Back Cover
	102-54 Claims of reporting in accordance with the GRI Standards	121
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	103-2 The management approach and its components	136
	103-3 Evaluation of the management approach	136
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GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	126, 136
	103-2 The management approach and its components	136
	103-3 Evaluation of the management approach	136
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	136

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GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	128
	103-2 The management approach and its components	128
	103-3 Evaluation of the management approach	128
GRI 302: Energy	302-1 Energy consumption within the organization	128
	302-3 Energy intensity	122, 128
Water		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundaries	122, 129
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AP OIL INTERNATIONAL LIMITED
Registration No. 197502257M

PROXY FORM

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We ____

of ____

being a member(s) of **AP Oil International Limited** (the "Company"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 2019 Annual General Meeting of the Company to be held on Friday, 26 April 2019 at 333 Boon Lay Way, Jurong Safra, Singapore 649848 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Statements and Audited Financial Statements for the financial year ended 31 December 2018		
2	Declaration of final exempt (one-tier) dividend of S$0.50 cents per ordinary share for the year ended 31 December 2018		
3	Re-election of Mdm Lau Woon Chan as Director		
4	Re-election of Dr Ho Leng Woon as Director		
5	Approval of Directors' Fees of S$90,000 for the year ending 31 December 2019, payable half-yearly in arrears		
6	Re-appointment of RSM Chio Lim LLP as Auditors		
7	Authority to issue shares		

Signed this ______ day of ________________ 2019

Total number of shares held	

____

Signature or Common Seal of shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the general meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the general meeting. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 30 Gul Crescent Singapore 629535 not less than 48 hours before the time set for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney, duly authorized in writing or by an authorised officer of the corporation.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

9. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2019.

CORPORATE INFORMATION
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Mr Chang Kwok Wah, MBA

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04-08 Wilkie Edge
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DBS Central @ Marina Bay Financial Centre Tower 3
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